



Key Note

UK Leisure & Recreation

2001 Market Review

Eleventh Edition 2001
Edited by Emma Wiggin

ISBN 1-84168-263-2

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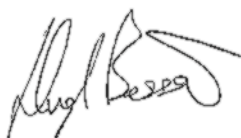
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EXECUTIVE SUMMARY

Executive Summary

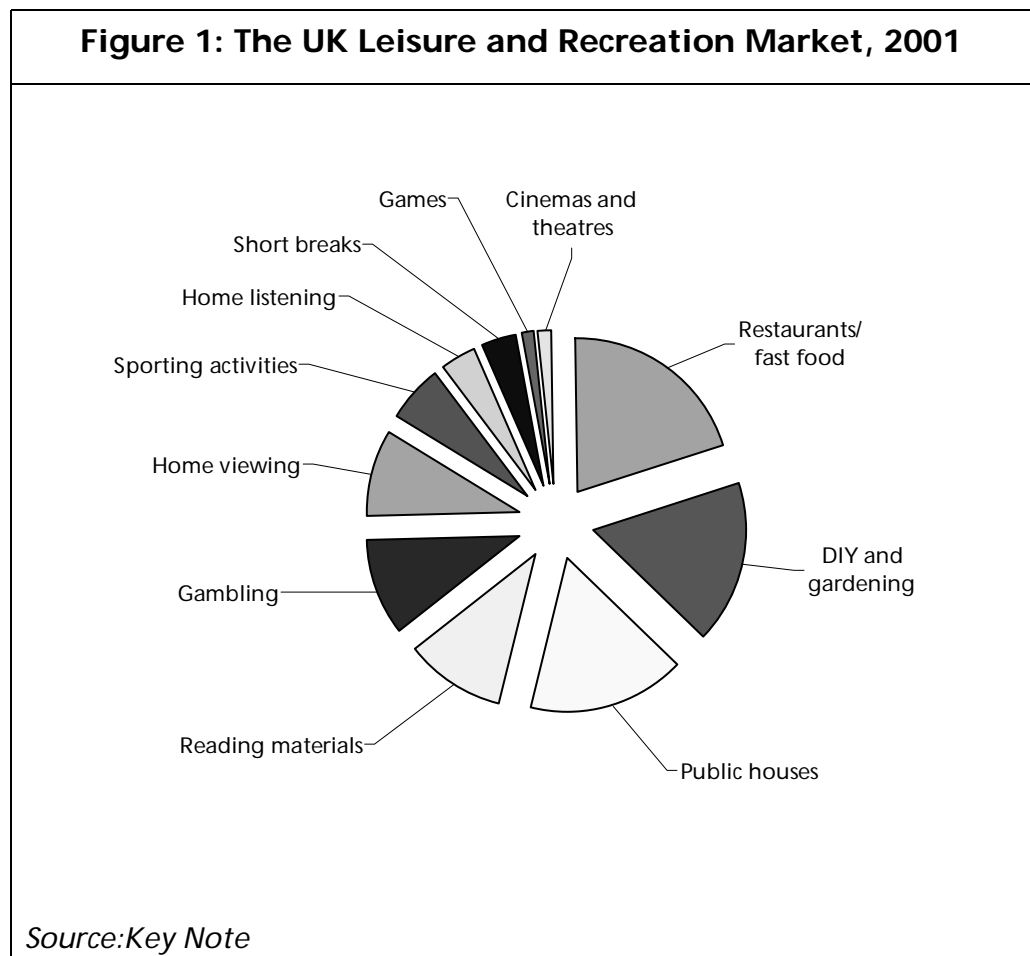
LEISURE IN THE UK ECONOMY

According to government figures, consumer spending on leisure goods and services accounted for 27% of all consumer expenditure in 2000. Since 1996, this proportion has steadily increased from 25.7%. However, growth was slower in 2000 than in recent years.

A COMPLEX AND SEGMENTED MARKET

Unlike the basic items of consumer spending — food, housing, clothing and transport — the leisure sector lacks any homogeneity, having a mixture of goods and services, as well as in-home and ‘going out’ activities, with a spectrum running from the entirely passive (e.g. watching TV) to the highly active and involved (e.g. team sports).

As can be seen from Figure 1, no single area of expenditure accounted for more than a quarter of spending in 2001.



The trends for each sector are summarised below, but they usually depend on the behaviour and attitudes of specific demographic groups. Listening to the radio, eating out, playing the National Lottery, or going for long walks are among the most universally popular ways of spending 'leisure money' (or time). However, other activities — such as going to the cinema, betting in bookmakers, playing video games, taking hotel breaks or gardening — are all biased in one way or the other, whether it is by age, education, income or even region of the UK.

TRENDS IN UK LEISURE

Eating Out

Eating out is more popular than ever, driven forward by high employment levels, the rising numbers of dual-income households, and the immense variety of restaurants of all types, ranging from steak houses and Asian restaurants, to fast-food chains and pizza outlets. The dominance of independent restaurant owners — branded chains are the exception in this market — has done nothing to hold back market growth.

Public Houses

Allied to the eating out market, public houses are surviving as a concept by adapting to younger drinkers, to the demands of the more affluent (bar prices have risen fast), and by serving more meals and providing entertainment as an alternative to the traditional, male-dominated 'session drinking'. 'New blood' has flooded into the industry as brewers have diversified, leaving much of the market to innovative 'pub companies'.

DIY and Gardening

Regarding in-home leisure, it is DIY and gardening that represent the largest chunk of consumer spending. Householders are increasingly likely to eat a number of their meals outside the home, and are ready to enjoy their time at home, but the DIY and gardening hobbies also represent investment in properties. (House prices have been rising for many years, and continue to climb in 2001.) A comfortable, attractive home and garden is increasingly the venue for bringing friends and relatives together, rather than the traditional pub or restaurant gathering.

In-Home Entertainment

The media are fragmented, with consumer spending spread across reading (books, newspapers and magazines), viewing (TVs, channel subscriptions and videos) and listening (recordings and radio). The multichannel digital era is taking its time to become a mass market. Meanwhile, home computing (the Internet and playing video games) has become an absorbent activity for much of people's leisure time at home.

Cinema and Theatre

For entertainment outside the home, cinemas and theatres are important but their audiences are biased to certain population segments: teenagers and young adults for cinemas, and affluent professionals (plus foreign tourists) for theatres.

Gambling

Gambling is a crucial leisure market for several reasons including its role as a social hub for many people, whether it be syndicates for the National Lottery or the football pools, or joining bingo clubs or casinos. Moreover, the National Lottery is significant because it has helped to fund many leisure-related projects since its inception in 1994, including many tourist attractions.

Sporting Activities

Gambling is also closely related to the development of sporting activities. Apart from the Lottery, the most lucrative attraction in gambling is betting on horse or greyhound races, or on football matches. Football dominates spectator sport to an increasing extent (both live and on TV), but in sports participation, the trend away from organised team sports continues, with more and more people preferring to keep fit individually by joining a health club or using a public gym or swimming pool. In commercial terms, golf is by far the most important leisure pastime of a sporting nature.

BEYOND 2001: AN UNCERTAIN FUTURE

Tourism, although not covered in this Review, is the market most immediately affected by the events witnessed during 2001. The year has been dominated by the terrorist attacks on the US, but these events cannot entirely overshadow the foot and mouth epidemic earlier in the year, the severe flooding of 2000, and the railway accidents that have shaken consumer confidence in the railway network.

As a result of these extraordinary events, both city centres and the countryside are seen to possess a new vulnerability, and public transport — both flying and rail travel — also has an uncertain immediate future. The eventual outcomes, in terms of leisure markets, could well include less of an inclination to travel far from home, and a renewed tendency towards 'cocooning' within the home, taking advantage of the leisure opportunities being provided by new digital technologies (e.g. DVD 'home cinema', surfing the Internet and video games).

Conversely, consumers continue to resist modernisation in that multichannel TV and other new technologies have had a lukewarm reception. For the next few years, in which Key Note predicts slower leisure spending growth, there will continue to be a balance between the modern leisure attractions and the simple, traditional activities, e.g. spending time with the family, taking long walks and drinking in traditional pubs.

SECTION ONE

MARKET OVERVIEW

1. Market Overview

DEFINITIONS

This Review takes a broad view of 'leisure and recreation'. Core elements of the leisure market are sporting activities (including keeping fit), games, cinema and theatre, and gambling. However, this Review also encompasses in-home leisure, which is dominated — in terms of leisure time — by television. Therefore, coverage is given to the media as a whole, including radio, television, newspapers, magazines and books.

Another time-consuming activity in the home is home improvement (DIY and gardening), treated here as leisure, although it has a financial aspect. Eating and drinking outside the home is a cross-over market between non-discretionary and leisure spending, and these catering markets are covered in the Review.

While this Review does analyse short breaks and tourist attractions, further details on tourism can be found in Key Note's Market Review *UK Travel & Tourism*.

INTRODUCTION

The definitions of leisure and recreation for this Review mean that both goods and services suppliers are involved in satisfying consumer demand.

The mix of spending on goods and services varies according to the activity. In home viewing, the services side (broadcasting, cable networks, video hire, etc.) is now more important than the purchase of TV sets (a mature market). In home listening, goods are more important, in the shape of recorded music, i.e. the very buoyant market for CDs.

The inclusion of leisure goods as well as services is important because manufacturers are obviously involved, but retailers are increasingly important in leisure. Out-of-town retail parks now feature superstores with crèches and cafés, and sell home entertainment goods, and are tending to consume more leisure time.

Unusually among consumer markets, leisure is also measured by the amount of time devoted to activities, and not only in cash terms. The Government's *General Household Survey* is no longer conducted, but it showed that, between the 1970s and the late 1990s, the major leisure activities remained fairly constant over a long period:

- watching TV occupies 99% of the population, and 90% listen to the radio, if only for short periods each day
- three-quarters of adults regularly listen to music at home, and two-thirds read books as a pastime (Both activities have spread more broadly across the population since the 1970s.)

- sports (50%), gardening (50%) and DIY (40%) have a more restricted appeal, but nevertheless involve many millions of consumers. (A leisure activity such as playing video games may involve even fewer people, but this does not prevent it becoming a massive market in value terms.)

Changes in consumer behaviour within each of these activities, e.g. in preferred sports, or themes of book, are the subject of the more detailed analyses in the individual sections of this Review.

INDUSTRY STRUCTURE

Number of Companies

Business Monitor PA1003 provides an annual analysis of the number of VAT-based enterprises involved in leisure. The tourism and catering sectors are excluded from Table 1.1.

Table 1.1: Number of VAT-Based Enterprises Engaged in Recreation, Culture and Sport, 2001	
Film, Video and Broadcasting	
Motion picture and video production	4,185
Radio and television activities	3,415
Motion picture and video distribution	485
Motion picture projection	190
Total film, video and broadcasting	8,275
Live Entertainment, Amusements and the Arts	
Artistic and literary creation and interpretation	28,550
Operation of arts facilities	600
Fairs and amusement park activities	320
Other entertainment activities	3,460
Total live entertainment, amusements and the arts	32,930
<i>Table continued overleaf...</i>	

Table 1.1: Number of VAT-Based Enterprises Engaged in Recreation, Culture and Sport, 2001

...table continued from previous page

Other Recreation and Culture

Other sporting activities	11,890
Operation of sports stadiums and arenas	3,870
Gambling and betting activities	985
Museum activities and preservation of historical sites and buildings	670
News agency activities	530
Library and archive activities	170
Botanical and zoological gardens and nature reserve activities	120
Other recreational activities	2,090
Total other recreation and culture	20,325
Total	61,530

Source: Business Monitor PA1003 — Size Analysis of UK Businesses

The highest numbers of leisure businesses, other than transport and catering, are to be found in the entertainment sector, although the 28,550 enterprises included under artistic literary creation and interpretation includes individual actors, musicians and other theatre workers who are individually registered as 'enterprises'. Sports management and facilities is another fragmented area with thousands involved.

In contrast, only 190 companies are involved in cinema activities (motion picture projection), where economies of scale are increasingly important and many single-outlet independents have been under considerable threat since the multiplexes were developed using funding from broad UK leisure groups or even multinational cinema operators.

Each leisure sector has a different and unique structure, but one of the clearest trends in recent years has been away from the leisure 'conglomerate' type of company, which sought to develop synergy across several leisure markets between the 1970s and the early 1990s. Since the early 1990s, however, the trend has been towards specialisation by independent companies, as illustrated by changes among the following former leisure conglomerates:

- **The Rank Group PLC** was distinguished for many years as the clear leader in leisure outside the home. After many disposals between 1998 and 2000, Rank now has only a handful of core interests — Hard Rock Café, Mecca bingo, casinos, and the original Rank Film Processing division. The many businesses sold by Rank to smaller competitors included amusement arcades, the Butlin's and Haven holiday centres, the largest UK nightclub grouping, the Odeon cinemas and the Tom Cobleigh pubs.
- **Bass PLC**, the UK's top brewer for many years, was second only to Rank in its breadth of leisure interests in the mid-1990s, but disposals then took the place of the amusements, the bingo and bookmakers, and eventually of thousands of pubs and even the Brewing division. Renamed in 2001 as Six Continents PLC, the company is now essentially an international hotel developer.
- **Whitbread Group PLC** was another large brewer that sought to diversify logically out of beer and pubs into leisure, although its focus was always narrower, on pubs and restaurants. A strategic review in the late 1990s led to the sale of the breweries, most of the pubs and many of the restaurants, leaving Whitbread as a hotel and restaurant developer, with an important sideline in sports (the David Lloyd Leisure clubs).
- **Granada Group PLC**, once the very broadest of leisure 'umbrella' companies, was bought by Compass, a major caterer, which immediately redefined Granada as a media company. Compass absorbed the Granada catering businesses but sold off its hotels (including the Forte brand). Various other Granada disposals over the years included part of its Box Clever TV hire company, bingo clubs, tenpin bowling, and cinemas,

Retailers and Public-Sector Organisations

For many people, shopping became an extension of their leisure activities in the 1990s. Retailers had realised in the 1980s that they needed to work harder to attract customers, and came to play an important role in the division of family leisure time.

Out-of-town superstores aim to provide a leisure experience, particularly DIY and gardening outlets, but also music and books superstores — the largest of which now incorporate cafés — pets superstores and sports superstores, where customers can test sports equipment. However, even grocery superstores, the outlets most often visited by consumers, have a role to play in absorbing leisure time.

Another distinctive hallmark of the leisure industry is the presence of the public sector as a supplier, in addition to the private sector. The Department of Culture, Media and Sport (DCMS) is responsible for the development of many of the industries and public services involved in the leisure market. These include the Arts Councils, the Sports Councils, the Museums & Galleries Commission and also the British Tourist Authority and national tourist boards. The DCMS also oversees distribution of funds from the National Lottery, which has provided substantial investments in leisure and cultural developments since 1994.

The public sector also has an influence on leisure in the home, through regulation of the media. Public service is still represented by the BBC, although competition has increasingly been allowed in its main markets of national network TV and radio. The BBC has diversified successfully into publishing (video, magazines, books and recordings), and has thus extended its role as a major player in leisure media.

Also in the public sector, local government is a key player in providing facilities for sports participation (e.g. through swimming pools and leisure centres) and for general open-air recreation (parks and gardens). Public libraries and schools are also important as leisure venues or outlets. Less well-known is the fact that thousands of museums, art galleries, concert halls, beaches and country parks are owned and maintained by local government.

MARKET SIZE AND SEGMENTATION

Based partly on the *Family Spending Survey* but also incorporating other statistics, the Government's consumer spending figures related to leisure are shown in Table 1.2. Some leisure items are classified with 'durable goods' (e.g. cameras), and the series also provides an indication of the importance of alcoholic drink.

	1996	1997	1998	1999	2000
Meals and Drinks					
Meals/accommodation	40,159	42,013	45,663	48,142	50,323
Alcoholic drink	27,774	29,109	30,145	32,567	33,583
Total meals and drinks	67,933	71,122	75,808	80,709	83,906
Leisure Goods					
Audio-visual durables [†]	5,438	6,475	7,639	8,687	9,418
Entertainment software [‡]	3,019	3,529	3,991	4,122	3,995
Sports, toys, hobbies	5,463	6,411	7,825	8,945	9,364
Horticultural	2,132	2,379	2,529	2,912	3,158
Books	1,606	1,812	2,109	2,387	2,618
Newspapers	2,585	2,633	2,649	2,735	2,791
Magazines	1,279	1,406	1,632	1,806	2,086
Total leisure goods	21,522	24,645	28,374	31,594	33,430

Table continued overleaf...

Table 1.2: Consumer Expenditure on Leisure Goods and Services by Sector by Value (£m), 1996-2000

...table continued from previous page

	1996	1997	1998	1999	2000
Leisure Services					
TV licence	1,903	1,952	2,108	2,240	2,146
TV/VCR rental/repairs	1,983	2,026	2,199	2,292	2,231
Cinema admissions	425	517	524	687	748
Other admissions	5,830	6,293	7,035	7,329	8,445
Betting and gaming	5,914	6,311	6,859	6,878	7,170
Social subscriptions	469	475	518	641	667
Total					
leisure services	16,524	17,574	19,243	20,067	21,407
Tourism abroad	14,433	14,945	16,669	18,812	20,620
Total	120,412	128,286	140,094	151,182	159,363
All consumer spending (£bn)	467.8	498.3	530.8	562.9	589.2
<i>Leisure goods and services as a % of total consumer expenditure</i>	<i>25.7</i>	<i>25.7</i>	<i>26.4</i>	<i>26.9</i>	<i>27.0</i>
<i>† — includes audio, video, cameras and computers</i>					
<i>‡ — includes CDs, records, tapes, video cassettes, computer software and photo processing</i>					
<i>Source:Key Note based on National Statistics/Consumer Trends</i>					

Over the past 10 years, leisure has increased its share of consumer spending from 24% in 1990 to 25.7% in 1996, and then to 27% in 2000. Growth was 5.4% in 2000, slower than in previous years, and leisure only gained an extra 0.1% of total consumer spending.

Despite this increasing importance in the consumer budget, leisure markets do not necessarily grow as fast as some commentators suggest, even though expansion often has a high profile (e.g. new theme parks and leisure complexes, and the proliferation of health clubs). Consumer spending on leisure, and its growth rate, is modified by several factors:

- 'In-home' leisure is expanding, and it is usually an economical alternative to 'going out' leisure. Watching TV, gardening and entertaining friends are all relatively cheap ways of filling the leisure hours.
- Consumer spending does not reflect the total amount spent on leisure in the UK economy, because certain markets are publicly subsidised. For example, sports facilities and cultural activities are subsidised by local government, and indirectly by central government (through redistribution of the Council Tax). The National Lottery is interesting because it has been used to invest in many public facilities for leisure and culture. Consumers are paying indirectly to subsidise these facilities through their expenditure on Lottery tickets and games.
- Many organisations also draw on sponsorship to support their operations (e.g. many theatres). Figures from the Association of Business Sponsors of the Arts (ABSA) and the Institute of Sports Sponsorship suggest that over £500m is spent annually on sponsoring sport and the arts, although this only represents the major, documented sponsorship deals, mostly at national level.
- In addition to consumer spending, sponsorship and Lottery grants, spending by overseas visitors to the UK needs to be taken into account. This is especially important for the theatre and for many museums and historic attractions. The decline in foreign visitors in 2000 and 2001 will impact on revenues, although this will not appear in the consumer spending series.

Table 1.2 shows expenditure by UK consumers on tourism abroad, amounting to £20.62bn in 2000 — 42.9% more than in 1996. This impacts mainly on the holiday market — not treated as a leisure market in this Review — but the trend to spending more on holidays abroad is bound to have an underlying impact on the consumer's overall leisure budget.

In conclusion, the leisure markets are far more complex than most consumer goods markets. For example, theatres are supported by a mixture of ticket sales, programme sales, catering (intermission drinks and snacks) and merchandising, but their existence may also depend, directly or indirectly, on subsidy from central and local government, and from commercial sponsors (including corporate hospitality). At the other end of the market, in cultural terms, football also has a complex funding structure, comprised of season tickets and match day tickets, programmes, catering and merchandise, kit sponsors and corporate hospitality, on top of which are revenues from the televising of matches.

KEY TRENDS AND DEVELOPMENTS

It is difficult to summarise any universal trends across UK leisure and recreation, but the following events and underlying social trends — some of which are described under the PEST analysis — are worth highlighting:

- Consumers are steadily devoting more of their disposable income to leisure, reaching 27% for the first time in 2000 (see Table 1.2).
- The 'having-it-all' approach to lifestyles means that people tend to take part in more activities than ever before, even if it is only for a few minutes a day or on a sporadic basis.
- The options for in-home leisure continue to proliferate, with some social trends discouraging the 'going-out' culture — e.g. traffic and parking problems, long hours spent working and commuting, fears of street crime, etc. In contrast, homes and gardens have been invested in (against a background of rising house values) to provide a pleasant place for entertaining friends and relatives.
- Venues for entertainment and culture are having to work harder than ever to persuade people out of their comfortable homes. Consumers are often content to have a meal out as their main leisure experience outside the home, rather than go to the cinema (which is youth-dominated) or to the theatre (which is perceived as expensive).
- Physical recreation has shifted away from time-consuming sports and games, and towards keep-fit regimes involving less time (such as going to the gym or jogging), although the largest, modern health clubs and sports clubs also provide a venue for socialising, which is seen to be healthier than the pub or restaurant.
- Public-sector involvement in providing for culture and recreation continues to be important, despite the underlying trend towards 'privatisation' in the past 20 years. The National Lottery has provided additional funds for public projects related to leisure, and local government retains its key role for sport and the arts.
- The private-sector supply side for leisure venues has shifted decisively away from the brewers and leisure conglomerates of the 1980s, and towards companies that specialise in a particular market. There are now many independent, specialist leaders in markets such as cinemas, bingo, casinos, sports clubs, pubs and restaurants.
- Technology continues to influence leisure, particularly in the home. Multichannel TV, the Internet, DVD (digital versatile disc) for 'home cinema' and video games all have their devotees. Conversely, critics of technology can point to the simple ways of spending leisure time that are still important for millions of people, such as walks in the countryside, watching football, reading books, drinking in traditional pubs and gardening.

In terms of outstanding developments, it is too early to assess what the impact will be of the multigovernmental response to the terrorist attacks on the US, in which the UK Government is closely involved. One likely outcome could be a reluctance by some consumers to travel abroad, possibly leading to higher holiday (or leisure) spending in the UK. Meanwhile, the foot and mouth epidemic may prove to be the negative factor that has had the most impact on domestic leisure in 2001.

PEST ANALYSIS

This section provides a political, economic, social and technological analysis of UK leisure and recreation.

Political Factors

At central government level, the DCMS (Department of Media, Culture and Sport) was created in the 1990s to bring together policies on matters that affect leisure patterns. In particular, the DCMS has had to make crucial decisions on the channelling of Funds from the National Lottery.

At local government level, the elected councils have statutory duties and discretionary choices on providing for leisure. Political decisions affect land use, planning and the supply of basic leisure services, such as swimming pools, museums and concert halls. There are government planning guidelines on out-of-town developments that force both developers and local councils to explore the option for regenerating town centres before giving permission for greenfield developments.

Political decisions intervene in leisure markets in a variety of specific ways — apart from general macro-economic decisions — depending on the market being considered. Some key examples are as follows:

- **Gambling** is heavily regulated, although a thorough review of both regulation and taxation was under way in 2001. To some extent, liberalisation has had to follow from the creation of the National Lottery.
- **Alcoholic drinks** are also heavily regulated. The distribution of alcohol is also under review, together with the process by which outlets obtain licences to sell alcohol. Under current legislation, there are several different types of alcohol licence (e.g. for clubs, for restaurants, for hotels and for nightclubs), and these have helped to shape leisure catering in the UK.
- **Tourism** is politically vulnerable in that it is supported by publicly-funded tourist boards. Further, many of the UK's most popular attractions are ultimately owned by central or local government (e.g. the Tower of London, the British Museum, the Tate Galleries and Edinburgh Castle).
- **Media activities** are overseen by the DCMS, with regulation of TV and radio broadcasting licences and funding for the BBC via the licence fee.

Broader political decisions are threatening the UK leisure and recreation market at the time this Review was published (October 2001), due to uncertainty in the follow-up to the terrorist attacks on the US.

Economic Factors

The 4 years following the Labour Government's election win in 1997 have generally been years of prosperity for the UK consumer, although the following factors have impacted on leisure markets:

- Consumer spending has grown fast, but there has been a shift towards imported goods and towards services. Manufacturing has continued its long-term decline, which means that an ever higher proportion of people work in services (including leisure industries as well as retail, finance, etc.).
- Unemployment levels have continued to fall. However, one trend for those in work has been to work harder and for longer hours than ever. When the stresses of commuting are included, this has had a variety of impacts on leisure provision — the need for fitness facilities and for in-home entertainment being two examples.
- Inflation has not, as yet, returned to the levels that historic cycles would project. Low or falling prices for many consumer goods (increasingly imported from low-wage countries) means that consumers can spend more on services. Low inflation also allows businesses to plan for profitability more accurately, although there is a danger of deflation.

However, the uncertainty in the wake of the terrorist attacks on the US in September 2001, and the possibility of a world recession, were new and unknown factors at the time this Review was published (October 2001).

Social Factors

Depending on the market being considered and its demographic profile, a variety of social factors have an influence on leisure. However, the following trends can be highlighted:

- There is a tendency to treat shopping as a leisure activity, since leaving the home to go shopping is unavoidable. Shopping and leisure have been physically merged in an increasing number of multifunction property complexes. For example, there are plans to build a shopping complex with leisure facilities adjacent to Newcastle United's football ground, and this multi-use type of proposal is increasingly common.
- The trends in the *General Household Survey* pointed towards the average adult participating in far more activities than before. Typically, people now want 'bite-sized' pieces of physical activity or culture — a swift work-out or jog, a quick drink and a snack meal, or an easy tidy-up of a low-maintenance garden. Modern consumers are keen to sample many types of leisure activity, if only in small amounts, rather than adopting a single, time-consuming hobby.

- Demographic factors still dictate most leisure pursuits: gardening is concentrated among the elderly; sports and games are most popular among the young, mainly men; leisure shopping and reading are most notable among women; and middle-aged 'empty nesters' provide much of the demand for hotel breaks, restaurant meals and the arts. Young adults (16 to 30 year-olds) tend to dominate the demand for sports facilities, but they are also the main target for nightclubs, cinemas and urban pubs.
- There is a trend towards 'cocooning' safely in the suburban home, by surrounding oneself with adequate leisure pastimes.

Technological Factors

Although the impact of technology depends on the sector of leisure, it has an undoubted influence across the board, and one which is more important than the social, economic or political factors over the long term:

- The choices for staying at home for entertainment have been extended over the decades by radio and then record players (replacing concert-going), by TV and then video (replacing the cinema), and by computer games and surfing the Internet.
- Waves of technology occur particularly in the music industry, where the CD has replaced the previous formats (vinyl and cassette), and access to music is now available on the Internet. Technology also influences the types of music being made — 'techno' itself, sampling, synthesizers — although both musicians and consumers frequently rebel by turning back to simpler types of music (e.g. the current popularity of singer-songwriters).
- Technology is also enhancing the leisure experience away from home, when utilised sensitively. Examples of this are karaoke equipment in pubs, giant video screens at sports grounds, interactive exhibits in museums, more thrilling rides at theme parks, and complex machinery for keeping fit in health clubs.

THE GLOBAL PERSPECTIVE

Some key trends affecting the UK leisure industry have a global dimension, not least the fears of escalating terrorist violence and international conflict generally. Of the underlying trends, many developed countries have experienced factors such as a relative rise in leisure spending, more home entertainment, and the boom in keeping fit and 'healthy' generally.

The problems for leisure companies hoping to take a European or global approach, however, come from two sources — cultural differences, and public sector involvement, including legislation that is idiosyncratic to each country.

Artistic expression is usually very much culturally bound. For the UK, this is exemplified by everything from the West End theatre to Christmas pantomimes and 'pub rock'. British and Irish pop and rock stars have been influential for a long time. However, this applies particularly to the UK's links with the US and the other English-speaking countries. Cinema, for example, is globalised as far as the UK is concerned, with the industry being dominated by Hollywood. The occasionally successful 'British' film is usually a UK/US collaboration, whereas domestic cinema is much stronger in other European countries.

In general terms, the UK media are national rather than global in character, again with a strong US/English language influence. Reruns of old TV sitcoms, Sunday tabloids, and other media phenomenon are parochial, although this is not to deny the success of programmes such as *Who Wants to be a Millionaire?* adapted for national audiences in many countries. Video games is the most global leisure market of all, with a handful of companies dominating the world market and a minimum of language and cultural barriers.

Sport, as with most leisure markets, features a combination of internationally-recognised sports and local idiosyncrasies, which may or may not be exportable. Football is the dominant sport globally, and keeping fit is certainly a worldwide preoccupation. At the grass-roots level, however, sports participation is organised and provided for in different ways in every country, both nationally and locally. (For example, local clubs often fulfil the role of the UK's municipal councils in other countries.)

In gambling, the UK moved closer to the international norm by adopting its own national lottery. Other gambling pastimes, such as casinos and bookmaking, are still governed by localised legislation and regulations. Online gambling promises to globalise the interest in gambling in future, and the Internet is probably the most important driving force towards globalisation, at least for leisure with a 'cultural' element.

In conclusion, it can be said that leisure is the perfect market for companies with international ambitions to make sure that they 'think globally but act locally', in order to avoid offending local sensibilities while taking advantage of possible economies of scale.

SECTION TWO

THE LEISURE CONSUMER

2. The Leisure Consumer

INTRODUCTION

The findings in this section are drawn from a combination of field research commissioned by Key Note and analyses available from Target Group Index. Rather than to fall into the trap of generalising too much about leisure behaviour, the aim of the section is to highlight the demographic groups for which certain key types of leisure activity are important.

LONG-TERM TRENDS

As reported in Section One — Market Overview, the official *General Household Survey* is no longer conducted, but the Survey showed that the main leisure activities remained largely the same between the 1970s and the late 1990s.

More recently, between 1997 and 2000, Key Note has commissioned research into consumers' favourite leisure pastimes, with a focus on 'a good night's entertainment' or on weekend activities that respondents 'look forward to'. The in-home activities are listed first.

	2000 (% of adults)	Rankings		
		1997	1999	2000
For an Evening's Entertainment				
Listening to music or the radio	75	1	1	=1
Entertaining others at home	75	2	2	=1
Watching television or a video	64	3	4	3
Reading a good book	59	4	3	4
Having an early night with your partner	53	5	5	5
<i>Table continued overleaf...</i>				

**Table 2.1: In-Home Leisure Activities by Ranking
(% of adults), 1997-2000**

...table continued from previous page

	2000 (% of adults)	Rankings		
		1997	1999	2000
Look Forward to at the Weekend				
Spending time with family	89	1	1	1
Entertaining friends or family at home	74	2	2	2
Watching television or videos	68	3	3	3
Reading newspapers or magazines	67	<i>n.a.</i>	<i>n.a.</i>	4
Gardening or DIY	55	4	4	5

n.a. — not available

Source: Key Note based on surveys by The Gallup Organization and BMRB Access

In the evenings after work, listening to music or the radio comes out as the most popular of the passive, home-based activities, scoring far more than watching television. (This may be an expression of ideals, rather than an accurate measure of time spent in the evening.) Entertaining at home is becoming increasingly popular — the growth of informal dining enables more people to entertain at home and mix eating with other activities, such as listening to music and watching videos.

At the weekend, the emphasis in at-home leisure is on spending time with family and friends. Gardening and DIY are the most popular activities around the home, apart from socialising or passively watching TV.

When choosing to leave the home for leisure, the most likely consumer choice for an enjoyable evening is to go out to a restaurant. Eating out far exceeds the cinema or the pub in popularity.

**Table 2.2: Leisure Activities Outside the Home by Ranking
(% of adults), 1997-2000**

	2000 (% of adults)	Rankings		
		1997	1999	2000
For an Evening's Entertainment				
Going to a restaurant	78	1	1	1
Going to the cinema	54	2	2	2
Going to a pub	48	4	=3	3
Going to the theatre, opera, or ballet	44	5	=3	4
Participating in sport	33	3	5	5
Look Forward to at the Weekend				
Going away for the day or whole weekend	67	1	=1	=1
Going out for lunch or dinner	67	2	=1	=1
Going out for a long walk	62	4	3	3
Going shopping for clothes	52	3	6	4
Going to a pub	44	5	5	5
Playing a sport	34	6	4	6
<i>Source: Key Note based on surveys by The Gallup Organization and BMRB Access</i>				

Eating out is also popular at the weekend, with consumers putting it on a par with going away for the weekend or a day-trip. Simply going out for a long walk is as popular as ever, but taking part in an organised sport was only considered to be an enjoyable weekend activity by 34% of adults in 2000. However, for many younger people, sport is the focus of leisure, whether it be taking part, watching it on TV or at live events, or a combination of all three. Demographic differences, therefore, must be addressed in all leisure markets.

DEMOGRAPHIC DIFFERENCES IN KEY LEISURE MARKETS

Weekend Activities

Table 2.3 illustrates the profound differences that occur in leisure behaviour between the various demographic groups. Many leisure activities are actually driven by age-related lifestyle factors. Older teenagers and younger adults are usually keen to leave the home and expend energy on sports, or stay up for long hours in bars and clubs. Families are most likely to perceive the benefits of developing leisure within the home, while older home-owners naturally enjoy the process of perfecting their homes and gardens once the children have grown up and moved on.

<i>"Question: Which, if any, of the following do you look forward to doing at the weekend?"</i>			
	Gardening or DIY	Sports Participation	Going Shopping
All adults	55	34	52
Sex			
Male	53	42	43
Female	57	26	61
Age			
16-24	24	56	67
25-34	43	49	52
35-44	60	34	45
45-64	71	24	53
55-64	65	27	48
65+	65	16	51
Social Grade			
AB	60	45	49
C1	52	37	53
C2	59	33	51
D	58	29	62
E	49	14	46
<i>Table continued overleaf...</i>			

Table 2.3: Participation in Selected Weekend Activities by Sex, Age, Social Grade and Region (% agreeing), 2000

...table continued from previous page

“Question: Which, if any, of the following do you look forward to doing at the weekend?”

Region	Gardening or DIY	Sports Participation	Going Shopping
Greater London	46	39	56
South East	57	34	51
South West	50	39	44
Wales	59	33	63
East Anglia	40	36	47
East Midlands	75	31	50
West Midlands	64	29	58
Yorkshire & Humberside	53	28	44
North West	50	41	59
North	65	30	49
Scotland	52	31	51

Base: 1,012 adults

Source: BMRB Access 2000/Key Note

Some illustrations of the striking differences in weekend leisure are:

- gardening or DIY are the most popular in the older half of the population, and this is unique among leisure activities
- sport is heavily biased to the young and to men
- going shopping is favoured by women, with a peak in socio-economic group D, but not in the more affluent social groups.

Evening Activities

A mixture of popular evening activities is analysed by demographics in Table 2.4.

Table 2.4: Selected Evening Activities by Sex, Age, Social Grade and Region (% agreeing), 2000

"Question: Which, if any, of the following do you look forward to doing at the weekend?"

	Watching Television	Listening to Music/Radio	Theatre/ Opera	Cinema
All adults	64	75	44	54
Sex				
Male	63	74	39	57
Female	65	75	49	52
Age				
16-24	63	79	34	85
25-34	60	71	36	79
35-44	54	69	47	64
45-64	64	73	50	47
55-64	67	79	56	38
65+	79	80	40	17
Social Grade				
AB	54	74	62	59
C1	59	68	47	61
C2	71	75	36	51
D	70	79	35	55
E	73	83	30	29

Table continued overleaf...

Table 2.4: Selected Evening Activities by Sex, Age, Social Grade and Region (% agreeing), 2000

...table continued from previous page

“Question: Which, if any, of the following do you look forward to doing at the weekend?”

	Watching Television	Listening to Music/Radio	Theatre/ Opera	Cinema
Region				
Greater London	64	79	54	62
South East	61	73	47	54
South West	48	72	38	53
Wales	74	63	37	42
East Anglia	53	78	34	37
East Midlands	62	77	35	50
West Midlands	71	76	40	60
Yorkshire & Humberside	73	71	49	49
North West	67	82	47	58
North	61	68	40	63
Scotland	64	75	45	55

Base: 1,012 adults

Source: BMRB Access 2000/Key Note

Among the activities shown, those with a high all-adults rating obviously derive this from their broad appeal:

- for watching TV and listening to music/radio, there is little difference between men and women, and both peak in popularity among the oldest consumers, who may perceive that they have few other choices for evening entertainment
- the theatre and opera are obviously biased to the ABs (62%), with such evenings being far more popular with women than with men
- going to the cinema is slightly biased towards men, but youth is its dominant characteristic — 85% of 16 to 24 year-olds enjoyed the cinema in 2000, but only 17% of the over-65s saw it as an option for evening leisure.

SECTION THREE

COMPETITOR ANALYSIS

3. Competitor Analysis

INTRODUCTION

Leisure is an unusual sector of the economy in terms of the variety of organisations involved in it. They range across the public and private sectors and include semi-government bodies, such as the BBC, which is chartered by the Government but funded indirectly by the consumer (through the licence fee), and tourist boards, which draw support from both public and private sources. Even in the private sector alone, the range of companies is broad — manufacturers and retailers as well as service companies are involved.

The National Lottery is an intriguing example of the public-private mix: it has helped to fund many projects that improve leisure and recreation facilities (e.g. sport and the arts), enabled by government action but ultimately dependent on private consumer spending on gambling.

MAJOR PLAYERS

AOL Time Warner

The three main components of this large US media group are:

- Warner Brothers, one of the original Hollywood studios, which is a core for movies, TV, music, and cartoon merchandising activities
- the publishing empire (books and magazines) built around *Time* magazine
- America On-line, the leading Internet company in the US domestic market, through AOL, CompuServe and Netscape.

Time and Warner Brothers came together in the 1980s, and Time Warner completed its merger with AOL in 2001. In the UK, the group proposed a merger with EMI Group in 2000, but the deal was not approved by the European Commission (EC), as it would have given Warner Brothers and EMI a dominant position in the UK record industry.

In cinemas, the company develops multiplexes in the Warner Village partnership with Village Roadshow, based in Australia. Warner Brothers also has stores selling cartoon-based merchandise for children.

It was announced in July 2001 that AOL Time Warner was to acquire IPC Group Ltd, the parent company of IPC Media. Chairman and Chief Executive Officer (CEO) of Time Inc., Don Logan, said:

“With some of the best-known consumer publishing brands in Europe, IPC provides Time Inc. with an important presence within the European consumer publishing sector. This acquisition also furthers AOL Time Warner’s goal of expanding our operations outside of the US.”

Financial Results

In the 52-week period ending 31st December 2000, Time Warner Ltd returned a turnover of £408.5m and a pre-tax profit of £19.1m. In the 57-week period ending 31st December 1998, the company recorded a turnover of £388.4m, and a pre-tax profit of £18.2m.

Apollo Leisure Group Ltd

A long-established, major owner of theatres, cinemas and bingo clubs, Apollo Leisure Group Ltd was purchased in 1999 by SFX Entertainment, the US leader in large-scale shows. The 23 theatre properties include The Lyceum in London, the Edinburgh Playhouse, the Liverpool Empire, the Bristol Hippodrome, and the Oxford Apollo.

Financial Results

In the 57-week period ending 31st December 1999, Apollo Leisure Group Ltd returned a turnover of £86m, and a pre-tax profit of £220,000. In the 52-week period ending 28th November 1998, the company recorded a turnover of £79.3m and a pre-tax profit of £4.2m.

Bertelsmann UK Ltd

Bertelsmann is a privately-owned German group with international media interests, including TV, films, music, magazines and books.

In the UK market, Bertelsmann operates in books, through Random House (including Transworld) and Book Club Associates Ltd, in recorded music through BMG (owner of the RCA label), and in women's magazines through Gruner & Jahr. Magazines produced by Gruner & Jahr include *Best*, *Prima* and *Family Circle*.

Financial Results

Financial results for Bertelsmann UK Ltd were not available at the time this Review was published (October 2001).

Black & Decker International

Black & Decker International is a subsidiary of Black & Decker Corporation — a multinational company. Black & Decker's role in the leisure market stems from its leadership in ranges of power tools for DIY, and also the Workmate workbenches and ranges of electrical gardening equipment.

Financial Results

In the year ending 31st March 1998, turnover for Black & Decker International fell by 10%, to £513.4m. The company made a pre-tax profit of £11.9m, compared to £47.5m in the previous year.

B&Q PLC

B&Q PLC is a subsidiary of Kingfisher PLC, and in terms of turnover, is the largest retailer of DIY and gardening goods in the UK. Kingfisher also owns the variety store chain Woolworth, which includes gardening goods among its range of products.

Financial Results

In the 53-week period ending 3rd February 2001, B&Q PLC achieved a turnover of £2.6bn and a pre-tax profit of £221.2m. In the 52-week period ending 29th January 2000, the company achieved a turnover of £2.24bn and a pre-tax profit of £208.6m.

British Sky Broadcasting Group PLC

British Sky Broadcasting Group PLC (which trades as BSkyB) is owned by a consortium led by News Corporation, which owns Sky TV. BSkyB is the leading satellite broadcaster in the UK, with the Sky channels dominating both via satellite and Sky Digital (through terrestrial services).

Financial Results

In the year ending 30th June 2000, British Sky Broadcasting Group PLC recorded a 19.5% increase in turnover, to £1.85bn. The company made a pre-tax loss of £262.7m, compared to a loss of £388.7m in the previous year.

Camelot Group PLC

Camelot Group PLC obtained the original franchise to run the National Lottery in its first 7 years (to 2001). Following a complicated period of bidding, the company has regained the licence for the next period, beating off the People's Lottery, which was backed by Richard Branson.

Financial Results

In the year ending 31st March 2001, Camelot Group PLC recorded a 2.1% fall in turnover, to £4.98bn. Pre-tax profits for the company fell by 12.3%, to £49.1m.

Capital Radio PLC

Capital Radio PLC is the largest commercial radio broadcaster in the UK. It has held the key London commercial radio franchise since 1973 and has 18 other stations spread across England and Wales, potentially reaching nearly 60% of the UK population.

Financial Results

In the year ending 30th September 2000, Capital Radio PLC achieved a 7.6% increase in turnover, to £134.9m. The company made a pre-tax profit of £30.4m, compared to £15.8m in the previous year.

Carlton Communications PLC

Carlton Communications PLC developed as a major film and video duplicator, but subsequently sold this division and now invests in UK media. It has four of the ITV franchises, including the lucrative London weekday service (under the 'Carlton' name) and Central TV (the Midlands). It has a 50% share (with Granada) in ITV Digital, and also owns the Carlton Cinema channel.

A proposed merger with United News & Media was blocked by the Government in 2000 because it would have given the company too strong a position in regional commercial television (ITV franchises).

Financial Results

In the year ending 30th September 2000, turnover for Carlton Communications PLC increased by 7.3%, to £2.08bn. The company made a pre-tax loss of £241.9m, compared to a pre-tax profit of £152.4m recorded for the previous year.

Chrysalis Group PLC

Founded as a record company, Chrysalis Group PLC eventually sold its label to EMI and developed into a multifaceted media and entertainment group. Radio is now the major interest of the company — Chrysalis is one of the top three radio companies. Chrysalis owns Heart, Galaxy, Faze and other local radio stations.

Financial Results

In the year ending 31st August 2000, turnover for Chrysalis Group PLC increased by 27.7%, to £162.8m. The company made a pre-tax profit of £956,000, compared to a pre-tax loss of £5.9m in the previous financial year.

Compass Group Holdings PLC

Compass Group Holdings PLC expanded by acquisition throughout the 1990s, becoming the world's largest foodservice company.

In 2000, Compass bought Granada Group, the UK's largest hotels company (mainly through the Forte hotels). Compass then disposed of most of the hotels (many to Nomura and Six Continents) but kept Granada's Catering division which includes a dominant position in UK travel catering (through Travelodge motels, Little Chef diners, and many motorway service areas).

Granada's Media division was separated from the rest of the company, which made Compass the dominant player in travel catering in the UK through Travelodge, Little Chef and Granada motorway services (the 47 service areas were subsequently rebranded to Moto). Compass' catering brands include Ritazza coffee shops and Upper Crust snack bars.

Financial Results

In the year ending 30th September 2000, Compass Group Holdings PLC achieved a 13.1% increase in turnover, to £5.45bn. Pre-tax profits for the company fell by 0.8%, to £180.3m. The company was known as Compass Group PLC until 30th November 2000.

Daily Mail & General Trust PLC

Daily Mail & General Trust PLC (not technically a 'trust' in corporate status) owns Associated Newspapers, which has a broad spread of provincial newspapers (through Northcliffe Newspapers) as well as the *Daily Mail*, *The Mail on Sunday* and London's *Evening Standard*. The company also has interests in magazines, radio and exhibitions.

Financial Results

In the 52-week period ending 1st October 2000, Daily Mail & General Trust PLC achieved a turnover of £1.86bn and a pre-tax profit of £176m. In the 53-week period ending 3rd October 1999, the company recorded a turnover of £1.62bn and a pre-tax profit of £201.9m.

Diageo PLC

The world's largest alcoholic drinks company, Diageo PLC was formed in 1997 through the merger of Grand Metropolitan and Guinness. Apart from its many important drinks brands (Guinness, Smirnoff, Gordon's and numerous whiskies and liqueurs), its main presence in UK leisure is through ownership of Burger King, the world's second-largest restaurant chain (after McDonald's). There are 600 Burger King branches in the UK, including many fast-service bars in the travel sector (e.g. in railway stations and roadside service areas).

Financial Results

In the year ending 30th June 2000, turnover for Diageo PLC increased by 0.6%, to £11.87bn. Pre-tax profits for the company fell by 1.1%, to £1.45bn.

Eidos PLC

Quoted on the Stock Exchange, Eidos PLC is the UK's largest video games developer and publisher, operating independently of the major console manufacturers. The popular Tomb Raider series has been the cornerstone of its success, and Tomb Raider's heroine, Lara Croft, was the subject of a Hollywood blockbuster movie released in 2001.

Financial Results

In the year ending 31st March 2001, Eidos PLC returned a turnover of £143.5m — a 26.3% fall from the previous financial year. The company made a pre-tax loss of £96.4m, compared to a loss of £49.3m in the previous year.

Electrolux Outdoor Products Ltd

Based in Sweden but with worldwide operations, Electrolux is among Europe's largest electrical appliance manufacturers. The Outdoor Products division, trading mainly in the UK as Flymo, is the leading UK supplier of domestic lawnmowers. Other brands include McCulloch and Husqvarna.

Financial Results

In the year ending 31st December 2000, Electrolux Outdoor Products Ltd's turnover increased by 10.4%, to £131.5m. The company made a pre-tax profit of £3.7m, compared to a loss of £2.2m in the previous year.

EMAP PLC

Built up originally as East Midlands Allied Press, EMAP PLC expanded from local newspapers and printing into UK consumer magazines, radio and media in France and the US. In UK consumer magazines, EMAP is second in the market behind IPC Media, and has a range of women's, youth, style, music, sports and hobby titles. EMAP is also a major owner of commercial radio stations such as Kiss FM (London), Key (Manchester) and Radio City (Liverpool).

The US magazine titles were put up for sale in 2001.

Financial Results

In the year ending 31st March 2001, EMAP PLC achieved a 4.5% increase in turnover, to £1.15bn. The company made a pre-tax loss, however, of £527m, compared to a pre-tax profit of £157m recorded for the previous financial year.

EMI Group PLC

EMI originated as a record company, temporarily became part of the defunct Thorn EMI conglomerate, and eventually reasserted its long-time leadership among UK record companies, which is based on The Beatles and aided by the Virgin and Chrysalis catalogues.

In 2000, EMI sought, unsuccessfully, to merge with AOL Time Warner, but the company remains independent. EMI has a stake in music and book retailing through a share of HMV Media.

Financial Results

In the year ending 31st March 2001, turnover for EMI Group PLC increased by 12%, to £2.67bn. Pre-tax profits for the company, however, fell by 34.7%, to £162.8m.

Focus Group Ltd

Created through the merger of Focus DIY and Do It All under the ownership of The Boots Company PLC, Focus Group Ltd became independent in 1999. Focus Group owns DIY and gardening outlets, and emerged in 2001 as the main competitor to market leader B&Q. It brings together the two retail brands (Focus DIY and Do It All), together with two other major chains acquired in 2000 and 2001: Wickes (with 131 stores) and Great Mills (with 95 stores). These acquisitions have given the Group a cross-section of the DIY and home improvements market, in that it now has 'heavy DIY' outlets, and 'soft, decorative' retail outlets.

Financial Results

In the year ending 29th October 2000, Focus Group Ltd achieved a 15.9% increase in turnover, to £537.1m. Pre-tax profits for the company reached £25.7m — a 42% increase over the previous year. The company was known as Focus Do It All Group Ltd until 7th June 2001.

Granada Group PLC

The former Granada Group PLC's unusual structure once took in everything in UK leisure from TV broadcasting and cinemas, to restaurants, bingo, hotels and TV rental, all associated with the Granada brand name. Following typical corporate trends, the Group spent the 1990s narrowing down its range of interests, culminating in 2000 with a merger with the giant caterer, Compass Group.

Compass has absorbed Granada's Catering divisions and sold its hotels in 2001, leaving Granada as a media company. The north of England ITV franchise (Granada TV) has been a constant through the company's history, and in 2000 Granada bought four more ITV franchises (from United News & Media). With Carlton, Granada is a part-owner of ITV Digital, and it maintains a half-share (with the Japanese investment bank Nomura) in Box Clever, the UK's dominant High Street rental chain for consumer electronics.

Financial Results

In the 53-week period ending 30th September 2000, Granada Group PLC recorded a turnover of £3.08bn and a pre-tax profit of £1.9bn. In the 52-week period to 25th September 1999, the company achieved a turnover of £4.1bn and a pre-tax profit of £1.04bn.

Guardian Media Group PLC

Originally based in Manchester, where it still publishes the *Manchester Evening News*, Guardian Media Group PLC became a national publisher with *The Guardian*, and later acquired *The Observer*, both influential titles in the broadsheet market. 'Media Group' was added to the company name to reflect investments in radio and TV in the late 1990s. However, newspapers remain at the Group's core.

Financial Results

In the 53-week period ending 2nd April 2000, Guardian Media Group PLC recorded a turnover of £389.9m and a pre-tax profit of £73.5m. In the 52-week period ending 28th March 1999, the company returned a turnover of £365.8m and a pre-tax profit of £68.2m.

GWR Group PLC

GWR Group PLC is Capital Radio's main rival as the UK's leading commercial radio broadcasting company. It owns 37 local stations (including Breeze and Mercury), as well as Classic FM, the most popular national commercial station. In 2000, GWR bought out the radio interests of Daily Mail & General Trust. The Group also has radio interests in five other European countries and in Australia. GWR has the controlling share in Digital One, which owns the format and transmission rights to the UK's seven new national digital radio stations.

Financial Results

Turnover for GWR Group PLC increased by 24.4%, to £127.2m, in the year ending 31st March 2001. The company made a pre-tax profit of £5.2m, compared to £17.6m in the previous financial year.

Hasbro

Hasbro is included in this Review because it is one of the two major producers of board games, although it is just as famous for its toys. The wide range of games made under the Parker and MB Games brands was added to in 1994 with the purchase of the UK company Waddington's Games, the portfolio of which is led by Monopoly, and also includes Cluedo and Subbuteo. (Hasbro only acquired the Games division of UK printing company John Waddington). The MB Games portfolio includes Game of Life, Twister, Connect 4 and Hungry Hippos, while the Parker portfolio includes Risk and the marketing rights to Trivial Pursuit.

Financial Results

In the year ending 26th December 1999, Hasbro U.K. Ltd recorded a 26.1% increase in turnover, to £215.7m. Pre-tax profits, however, fell by 35.9%, to £18.2m.

Hilton Group PLC

Called Ladbroke Group PLC until May 1999, Hilton Group PLC is an operator in hotels and health clubs (LivingWell) and gambling, both in the UK and overseas.

The company renamed itself as Hilton Group to mark its new focus on international hotels. The Casino division was sold to Gala in 2001, but the 'Ladbroke' name has been kept for the UK market leader in bookmaking (around 1,900 betting shops), with online gambling a focus for growth. Hilton is to invest £40m in its betting shops over the next 2 years — over 40 city-centre sites will become 'superstore' betting shops.

Financial Results

In the year ending 31st December 2000, Hilton Group PLC returned a turnover of £3.95bn — an 8.1% fall from the previous year. Pre-tax profits for the company, however, increased by 20.4%, to £196.4m.

Homebase Ltd

Homebase, one of the original DIY superstores, was set up by the supermarket chain J Sainsbury PLC. Homebase expanded through the acquisition of Texas Homecare, the outlets of which were rebranded as Homebase.

In December 2000, Sainsbury's sold its chain of Homebase stores to venture capitalist Schroder Ventures. A further 28 sites intended for new Homebase stores were sold to Kingfisher.

Financial Results

In the 52-week period ending 1st April 2000, Homebase Ltd achieved a turnover of £1.2bn and a pre-tax profit of £5.4m. In the 56-week period ending 3rd April 1999, the company recorded a turnover of £1.19bn and a pre-tax profit of £44.6m.

IPC Media Ltd

Part of the Reed Elsevier group for many years, IPC was bought out through a management buy-out (MBO) in 1998. The MBO was led by private equity firm Cinven, and it was announced in July 2001 that AOL Time Warner was to acquire IPC Group Ltd (the parent company of IPC Media Ltd) from Cinven.

IPC is the leader in UK consumer magazine publishing, and is focused on five core areas — women, TV, home and garden, leisure, and men's lifestyle and entertainment. Women's weekly titles include *Woman*, *Woman's Weekly* and *Chat*, and monthly titles include *Marie Claire* and *Now*. It is also strong in listings (e.g. *TV Times*) and men's magazines (e.g. *Loaded* and *Later*), and has divisions specialising in teenagers and music, sport and other leisure topics.

Financial Results

In the year ending 30th September 2000, IPC Media Ltd achieved a 2.5% increase in turnover, reaching £359.7m. Pre-tax profits increased by 22.4%, to £69.4m. The company was known as IPC Magazines Ltd until 8th June 2000.

Kingfisher PLC

Kingfisher PLC is one of the few retail groups whose activities make it an important contribution to UK leisure in the home. The B&Q subsidiary is the market leader in DIY and gardening retailing, while Woolworths has over 750 High Street stores selling ranges of leisure products for adults and children (toys, games, gardening, music, video, etc.). Kingfisher also owns Entertainment UK Ltd, the leading wholesale distributor to independent outlets for recordings and videos.

Kingfisher also owns large electrical retailers in the UK (Comet) and France (Darty) but it has recently narrowed its interests by selling the Superdrug chain of drugstores.

Financial Results

In the 53-week period to 3rd February 2001, Kingfisher PLC achieved a turnover of £12.13bn and a pre-tax profit of £691.2m. In the 52-week period to 29th January 2000, the company recorded a turnover of £10.89bn and a pre-tax profit of £712.8m.

Mattel

Mattel has a similar role to play as Hasbro, as one of the two major producers of board games. In addition to its US games, it owns JW Spears & Sons Ltd, a leading jigsaw puzzle maker and famous for games such as Scrabble and Uno. Worldwide, Mattel's income relies more heavily on its famous Barbie dolls and on subsidiaries such as Tyco and Fisher Price. Scrabble is the most important game in Spear's portfolio, and is produced in many variations, e.g. travel, for children and deluxe. Other Spear games include Whack Attack.

Financial Results

In the year ending 31st December 1999, Mattel U.K. Ltd's turnover fell by 26.5%, to £96.1m. The company made a pre-tax loss of £29.8m, compared to a loss of £1.5m in the previous year.

McDonald's Restaurants Ltd

McDonald's is the world's largest restaurateur, specialising entirely in burger-based fast food. The company has around 1,200 outlets in the UK, including a mixture of managed and franchised outlets, and High Street restaurants and implants in leisure and retailing complexes. A UK venture into coffee shops — the Aroma chain — was a short-lived one in the early 2000s.

Financial Results

In the year ending 31st December 2000, McDonald's Restaurants Ltd achieved a 6.7% increase in turnover, to £1.1bn. Pre-tax profits for the company increased by 15.4%, to £100.1m.

News Corporation PLC

News Corporation PLC is an Australian-based global media company, led by Rupert Murdoch, and operates in UK leisure through various subsidiaries. It has either market leadership or a top three position in each of its newspapers, satellite TV and consumer book publishing sectors.

The News International PLC subsidiary has been established for many years as the leading national newspaper publisher (*The Times*, *The Sunday Times*, *The Sun* and *News of the World*). The HarperCollins subsidiary is one of the largest Anglo-US book publishers.

The group's other media interests of relevance to the UK are Sky TV — the leading satellite broadcaster — and 20th Century Fox, one of the major Hollywood studios. Sky is broadcast as part of the output of BSkyB, a company owned by a consortium including News Corporation and Vivendi. BSkyB is the leading satellite broadcaster to the UK.

Financial Results

News International PLC achieved a 16.9% increase in turnover in the year ending 30th June 2000, to £62.2m. The company recorded a pre-tax profit of £800.8m, compared to £156m in the previous financial year.

Nintendo

Nintendo led the world console games market in the 1980s and early 1990s with its Nintendo Entertainment System (NES) and Super Nintendo Entertainment System (SNES), competing mainly against Sega, and eventually the 64-bit model the N-64 (launched in 1997). Sony's PlayStation took world leadership in the mid-1990s, but the decline of Sega has put Nintendo in a strong second position. A new console (Gamecube) is due for UK launch in 2001 or 2002. Meanwhile, Nintendo's Game Boy completely dominates the hand-held games market, and has been boosted by the electronic game versions of Pokémon. Exclusive characters for Nintendo include Super Mario and Donkey Kong.

Nomura International PLC

The UK subsidiary of a Japanese investment bank, Nomura International PLC has invested heavily in the UK over the past 10 years, acquiring leisure businesses with the eventual aim of selling them on or floating them as public companies. The current main assets, with reference to UK leisure, are:

- A Pubs division comprising over 5,000 pubs, mainly leased, including most of the former Innpreneur estate that had been released from the brewery tie in the mid-1990s. (There are three separate estates: Unique, Inn Partnership and Voyager.)
- The Meridien group of international hotels, bought from Compass Group in 2001.
- A 50% stake in Box Clever, the 500-strong leading chain of TV and video rental outlets.

Financial Results

In the year ending 31st March 2001, turnover for Nomura International PLC fell by 11.2%, to £555m. The company made a pre-tax profit of £99.6m — a 22.9% fall from the previous year.

Odeon Cinemas Ltd/ABC Cinemas Ltd

In 2000, the UK's largest chains of town centre cinemas — Odeon and ABC — were brought together after Odeon had been bought out from Rank Group. Venture capital company CinVen bought ABC Cinemas Ltd and then Odeon, creating a leading cinema operator in the UK. The group also has some multiplexes.

Financial Results

In the year ending 27th April 2000, ABC Cinemas Ltd recorded a turnover of £43.7m — a fall of 0.9% from the previous financial year. The company made a pre-tax loss of £1.8m, compared to a loss of £2.8m in the previous year.

Financial results for Odeon Cinemas Ltd were not available at the time this report was published (October 2001).

Pearson PLC

Pearson PLC had a broader role in UK leisure when it owned The Tussauds Group, but it is still influential as the owner of Penguin (one of the leading paperback publishers) and Longman (which publishes popular reference books and textbooks). In the late 1990s, Pearson disposed of many non-core interests and made further acquisitions in educational publishing (Prentice Hall, Simon & Schuster and Dorling Kindersley). Business information is a core interest of the company, through the *Financial Times* and a 50% share in *The Economist*.

Financial Results

In the year ending 31st December 2000, turnover for Pearson PLC increased by 16.3%, to £3.87bn. The company made a pre-tax profit of £284m — a 40.5% fall from the previous year's figure.

Punch Taverns Group Ltd

Among the many 'pubcos' that arose to acquire unwanted pubs from major brewers in the 1990s, Punch Taverns Group Ltd gained national prominence by acquiring the Retail division of Allied Domecq (in 1999) and made further acquisitions (many from Bass) to take it over the 5,000 outlets mark by 2001. Outlets include branded pub concepts (Big Steak, Wacky Warehouse and Mr Q) as well as thousands of leased pubs.

Financial Results

In the 53-week period ending 2nd October 1999, Punch Taverns Group Ltd recorded a turnover of £156.7m and a pre-tax profit of £32.6m. In the 52-week period ending 26th September 1998, the company returned a turnover of £79.6m and a pre-tax profit of £3.4m.

The Rank Group PLC

The leader in UK commercial leisure until the late 1990s, The Rank Group PLC remains important in gambling but has disposed of most of its former leisure businesses (including holiday centres, caravan parks, nightclubs, amusement machine businesses and cinemas). The key areas for investment now, at an international level, are the Mecca bingo clubs, the Grosvenor casinos and Hard Rock Cafés (over 100 in 36 countries). However, Rank retains its historic links with the movie business through Rank Deluxe Entertainment (film processing).

Financial Results

The Rank Group PLC's turnover fell by 12.1% in the year ending 31st December 2000, to £1.79bn. The company made a pre-tax loss of £341.1m, compared to a pre-tax profit of £107.6m recorded for the previous financial year.

The Really Useful Group Ltd

Controlled by Lord Lloyd-Webber, The Really Useful Group Ltd has been a production company for Lloyd-Webber musicals since the 1970s, and latterly bought or leased London theatres. Really Useful Theatres, created in 2000 with funding from NatWest Equity Partners, brought the theatres together with the former Stoll Moss Theatres to create a much larger group (including the Palladium, Her Majesty's and the Garrick).

Financial Results

In the year ending 30th June 2000, turnover for The Really Useful Group Ltd fell by 7.8%, to £39.4m. Pre-tax profits for the company fell by 36.4%, to £11.1m.

Scottish & Newcastle PLC

The largest UK brewer since 1995, Scottish & Newcastle PLC bought the leading French brewer, Kronenbourg, in 2000 to become one of Europe's largest brewing groups. In the UK, it maintains a large estate of managed pubs (e.g. Chef & Brewer and Rat & Parrott) and also operates restaurants and budget hotels. Its Center Parcs and Pontin's holiday centres were sold in 2000.

Financial Results

Scottish & Newcastle PLC achieved an 8.4% increase in turnover for the year ending 30th April 2000, to £3.57bn. Pre-tax profits, however, fell by 19.1%, to £262m.

Six Continents PLC

Bass was a broadly-based leisure group based on its strengths in brewing and tied pubs until the late 1990s, when it embarked on a strategy of developing as an international hotel and catering company. The disposal of gambling and other leisure businesses was followed by the sale in 2000 of the Brewing division. Although 2,000 branded pubs and restaurants are retained in the group (e.g. O'Neill's and Harvester), the main focus is its hotels: Holiday Inn, Crowne Plaza, InterContinental and Posthouse. In 2001, Bass was renamed to Six Continents to reflect the company's new strategy as an international hotelier.

Financial Results

In the year ending 30th September 2000, Six Continents PLC recorded a 10.1% increase in turnover, to £5.16bn. The company made a pre-tax profit of £1.99bn, compared to £572m in the previous year. The company was known as Bass PLC until 27th July 2001.

Sony Corporation

The largest of the many important Japanese consumer electronics manufacturers, Sony Corporation is famous for inventing audio-visual entertainment products such as the Walkman (personal stereo), the Betamax video system, the joint development of the CD with Philips, and latterly the Mini Disc. The company moved into the global entertainment sector in the 1980s, buying Columbia Pictures and CBS Records, and took leadership of the video games market in the 1990s (with PlayStation).

Sony's Consumer Electronics division makes all types of audio-visual products, both hardware and software (appliances, components, accessories, disks and tapes) and it has market leadership in key categories such as colour TVs, camcorders and personal stereos. PlayStation 2 was launched in 2000, confirming Sony's dominance in video games.

Financial Results

In the year ending 31st March 2000, Sony Computer Entertainment Europe Ltd recorded a 1.3% fall in turnover, to £1.7bn. Pre-tax profits for the company fell by 4.1%, to £125.5m.

Sony Music Entertainment (UK) Ltd recorded a turnover of £176.4m and a pre-tax profit of £1.1m for the year ending 31st March 2000. In the previous financial year, the company returned a turnover of £565.1m, and a pre-tax profit of £11.6m.

Trinity Mirror PLC

Created through a 1999 merger, Trinity Mirror PLC is the largest publisher of local newspapers in the UK, with over 250 titles. In national newspapers, the Mirror Group contributed several tabloid titles to the merged group: *The Mirror*, *Sunday Mirror*, *The People*, and in Scotland, the *Daily Record* and *Sunday Record*.

Financial Results

In the 52-week period to 31st December 2000, Trinity Mirror PLC recorded a turnover of £1.08bn and a pre-tax profit of £315.3m. In the 53-week period ending 2nd January 2000, the company achieved a turnover of £595.8m and a pre-tax profit of £103m.

The Tussauds Group Ltd

Named after its flagship waxworks museum in London (now an international chain), Tussauds is the largest private owner of attractions in the UK. It owns three of the major theme parks (Alton Towers, Chessington World of Adventures and Thorpe Park), plus the London Planetarium and Warwick Castle. In 2001, the Group announced the closure of the uneconomic Rock Circus attraction in London.

Financial Results

In the 52-week period ending 31st December 2000, The Tussauds Group Ltd recorded a turnover of £127.8m and a pre-tax loss of £16.9m. In the 63-week period ending 31st December 1999, the Group returned a turnover of £130.5m and a pre-tax loss of £32m.

United Cinemas International (UK) Ltd

Trading as UCI, United Cinemas International (UK) Ltd is a joint venture between two of the Hollywood studios, and has been the UK's leading multiplex developer over the past 20 years, with 325 screens in 32 cinemas. The ultimate owners are Viacom, which owns Paramount Studios, and Vivendi, the French company which acquired Universal Studios from Seagram in 2000.

Financial Results

In the year ending 31st December 1999, United Cinemas International (UK) Ltd achieved a 3.8% increase in turnover, reaching £111.2m. The company made a pre-tax profit of £9.1m — a 34.6% fall from the previous financial year.

Viacom

Viacom is one of the largest US-based media and entertainment groups, including the following businesses of relevance to UK leisure:

- Paramount Pictures, a Hollywood major
- part of UCI, the multiplex cinema developer
- MTV, Nickelodeon and other cable/satellite channels
- Blockbuster, the leading video rental company.

Financial Results

In the year ending 31st December 1999, Viacom UK Ltd recorded a turnover of £62.3m, compared to £260.3m in the previous year. The company returned a pre-tax profit of £4.6m, compared to a profit of £21.8m in the previous year.

Vivendi

Vivendi originated as a French utility group, but moved into European media in the 1990s, including a stake taken in BSkyB. In 2000, Vivendi's acquisition of the Universal MCA entertainment group, formerly owned by Seagram of Canada, gave it one of the major Hollywood studios, Universal, and a position among the major record companies (Universal Music Group, which also owns Polygram). The movie interests include a share in UCI, a major cinemas group (see profile).

The Walt Disney Company Ltd

The Walt Disney Company is the world leader in children's entertainment, expressed through movies, TV cartoons, character merchandising and four theme parks. In the UK, the company has two representatives — The Walt Disney Company Ltd and Buena Vista, which distributes the movies.

Financial Results

In the year ending 30th September 2000, The Walt Disney Company Ltd achieved a 24.4% increase in turnover, to £146.8m. Pre-tax profits for the company increased by 12.5%, to £8.3m.

Whitbread Group PLC

Along with several other major UK brewers, Whitbread PLC has cut its ties with brewing and also sold most of its 'tied' pub estate in 2001. The Group is now focused on being the UK's largest restaurant company, through brands (some as licences) ranging from Pizza Hut, TGI Friday's and Bella Pasta, to Café Rouge, Costa Coffee and the pub-restaurant concepts, to add to the pub-restaurant concept, Beefeater, Brewers Fayre and Brewsters.

Whitbread's other two focuses of investment are hotels (Travel Inn and Marriott) and sports clubs (David Lloyd).

Financial Results

In the 53-week period ending 4th March 2000, Whitbread Group PLC recorded a turnover of £2.95bn and a pre-tax profit of £255.6m. In the 52-week period ending 27th February 1999, the company achieved a turnover of £2.94bn, and a pre-tax profit of £301.1m. The company was known as Whitbread PLC until 10th May 2001.

Wyevale Garden Centres PLC

Already the largest garden centre chain in the UK, Wyevale Garden Centres PLC cemented its position in 2001 with the purchase of Country Gardens, its largest competitor. Wyevale now has ten times more outlets than its competitors and has plans to expand in a fragmented market.

Financial Results

In the year ending 31st December 2000, Wyevale Garden Centres PLC recorded a 13.9% increase in turnover, to £108.5m. Pre-tax profits for the company fell by 8.9%, to £13.2m.

PUBLIC-SECTOR ORGANISATIONS

As well as the private-sector companies, there are other organisations involved in leisure.

- The responsibilities of the Department for Culture, Media and Sport (DCMS) include tourism, which is administered through the British Tourist Authority (for incoming tourism) and the national tourist boards (e.g. Visit Scotland). The DCMS is also responsible for the National Lottery, a source of substantial funds for leisure-related development.

- Centrally-funded bodies, apart from the tourist boards, with a role in leisure include the Museums & Galleries Commission, the various Arts Councils, English Heritage, and local authorities, which are obliged to develop (and invest in) local strategies for culture and physical recreation.
- The BBC (British Broadcasting Corporation) originated as the state-controlled monopoly on TV and radio. The Corporation is funded by the Government through the collection of a licence fee charged to owners of TV sets. Its monopoly on TV was broken in the 1950s (with the launch of ITV) and on radio by commercial radio stations in the 1970s. Diversification across media has taken the BBC into publishing and, latterly, digital broadcasting. There are plans to introduce more TV channels and radio stations, but the BBC's status is subject to regular reviews.

OTHER LEISURE COMPANIES

Some of the companies profiled in this section are among the dominant suppliers in their sector, while others may operate in more than one sector. However, the age of the leisure conglomerate has all but gone, and concentration on core activities has been the norm for most companies since the mid-1990s (e.g. Six Continents, Granada and Rank Group).

Fragmentation is the characteristic in the sports sector, which does not lend itself to highlighting influential market leaders, apart, perhaps, from David Lloyd Leisure (part of Whitbread). David Lloyd's concept pioneered rapid growth in the fitness and sports club market, but consolidation will be needed before any other true market leaders emerge.

In football, which dominates sports spectating as a leisure market, Manchester United is by far the largest club (and quoted football company), but clubs are prohibited by the sport's administrators from acquiring each other, so that leadership and branding are generally local matters.

Nike, Reebok and adidas-Salomon are the world's 'big three' in sports wear. Their marketing certainly draws attention to sport. In equipment for playing sports, fragmentation across sports is compounded by competition within each sport (e.g. golf and fitness equipment).

Gambling is another leisure market which is sub-segmented by different types of gambling, each with its own set of rules and regulations, meaning that there is a range of sub-sector leaders. The large bookmakers and developers of online betting include Ladbroke (part of Hilton), Coral Eurobet and William Hill, while the UK's casinos are owned mainly by Rank Group, Gala Group, Stanley Leisure (also a bookmaker) and London Clubs International.

SECTION FOUR

READING MATERIALS

4. Reading Materials

INTRODUCTION

In terms of 'leisure publications', reading materials fall into three categories:

- **Newspapers:** this sector can be divided according to whether the newspaper is national or regional, daily or weekly, and quality (a broadsheet) or popular (a tabloid). The nationals often include colour supplements (e.g. *Sunday Times Magazine*) that compete in the general-interest magazines market.
- **Books:** this Review is concerned mainly with consumer books (mostly fiction) but also practical books connected to leisure activities (TV spin-offs, cookery, gardening, etc.). Principal divisions are between fiction and non-fiction, and between paperbacks and hardback (usually more expensive).
- **Magazines:** this sector can be divided by frequency of publication (mainly monthly or weekly) but principally by topic of coverage, with the main topics being women's or men's interest, sports and hobbies, fashion and glamour, music, and health.

It should be noted that it is not always possible to distinguish in the market sizes between publications read for study, business and other duties, and for simple enjoyment.

KEY TRENDS

Apart from the literacy of the population, and general lifestyle challenges to reading as a pastime, these three markets — newspapers, books and magazines — have surprisingly little in common, and the key trends for each are treated separately in this analysis.

The individual market trends are reflected in the growth of specialist publishers in each type of publishing since the 1980s. Previously, publishing conglomerates with interests in books, newspapers and magazines had been fairly common. Publishers are now more likely to concentrate within one type of publishing (or even a subject of interest), and attempt to dominate the media in that sector.

Newspaper Trends

In terms of the number of national and regional titles, newspaper publishing has been relatively stable for some years. Publishers continue to create new ways of maintaining and attracting readership, and the cost-savings available from new technology continue to aid them. It is now possible to print and distribute, at an economical cost, a newspaper with numerous colour sections to attract readers and advertisers with special interests — jobs, sport, business, IT, travel, regional sections, etc.

Sales of newspaper copies tend to decline over the years, but their role for advertisers is still crucial. Currently, the largest challenge is the downturn in the advertising market, which started in 2000 and threatens to be made even steeper by the terrorist attacks on the US in September 2001. Ironically, the terrorist attacks and threats of war have rejuvenated demand for newspapers for their traditional role of providing in-depth news and analysis.

Book Trends

Book publishing has maintained most of its traditional characteristics in the early 2000s, despite the continuous waves of new electronic and printed media for information and entertainment that have characterised recent decades.

Good authors of fiction — whether popular or 'literary' — are still a sought-after commodity, and are still created every year by social trends and events, including the media (television, film and the Internet) which supposedly threaten the existence of the printed book. Most striking recently has been the success of the 'Harry Potter' series of adventure books, read widely by children and adults who would otherwise not be book readers.

The distribution of books has also been revitalised in two directions: by competition between the new books and media superstores (e.g. Borders), and by the success of online retailing of books, particularly by Amazon. However, question marks over the prospects for online retailing are being raised in 2001. For example, Ottakers — one of the largest High Street retailers with 76 book stores — has closed down its Internet operation.

Magazine Trends

The revolution in printing technology (and costs) that have sustained the traditional newspaper have also made it easier for magazines to proliferate. Newsagents shelves' have struggled to cope with the proliferation of titles, both in specific leisure areas (e.g. home technology and gardening) and in general interest magazines (for men and women, sub-divided by age range, or covering the media and celebrities).

In the early 2000s, magazines are competing for a fairly static amount of money that consumers want to spend on them, and are having to rely more on advertising revenues. The downturn in advertising is posing serious threats to the viability of many titles. Magazine publishers are, however, at the forefront of developing special interest websites.

MARKET SIZE

Recent revisions of the official consumer spending figures for these publications show the markets to have been larger than previously thought, and show strong growth for the late 1990s. This brings government figures closer into line with trade estimates of the market size and growth. However, it must still be borne in mind that publishers' output figures include exports and sales to institutions (such as school books and public libraries).

Table 4.1: The UK Reading Materials Market by Sector by Value[†] (£m), 1996-2000

	1996	1997	1998	1999	2000
Media					
Newspapers	2,585	2,633	2,649	2,735	2,791
Magazines	1,279	1,406	1,632	1,806	2,086
Total media	3,864	4,039	4,281	4,541	4,877
Books	1,606	1,812	2,109	2,387	2,618
Total	5,470	5,851	6,390	6,928	7,495
% change year-on-year	-	7.0	9.2	8.4	8.2
<i>† — consumer expenditure only</i>					
<i>Source: National Statistics/Key Note</i>					

Newspapers and Magazines

The 'media' sub-total for newspapers and magazines has shown healthy year-on-year growth in consumer spending since 1996, despite the downward pressures on prices, particularly for newspapers engaged in circulation battles. Magazine publishers have found that they can charge a premium for their specialist titles during the consumer boom.

Regional newspapers are aimed mainly at covering local news, although some cover national and international news (particularly the Scottish nationals, such as *The Scotsman*). National newspapers divide between the broadsheets and the tabloids, which further divides into the popular titles (e.g. *The Sun*) and the mid-market ones (e.g. *Daily Mail*). Political alignment, accurate information and serious news coverage remain important for the broadsheets, although they are now accompanied by leisure-oriented supplements, while the tabloids continue to cover news for its 'sensational' value, and to concentrate on entertaining their readers.

Magazines are split into many distinct categories, but also by frequency into weeklies and monthlies, with a small number coming out fortnightly or quarterly. Weeklies are dominated by the listings magazines (e.g. *Radio Times* and *What's On TV*), women's weeklies and a few major special interest titles (e.g. *The Economist*, *Shoot!* and *New Musical Express*). Monthlies are usually more substantial in content (and price) than weeklies. Women's interest dominates the range of monthly magazines, with a dozen titles able to claim to have more than a million readers.

Publishers of paid-for magazines have to compete for the consumer's time and money against the supplements available with all Sunday newspapers and some Saturday editions.

Books

The figures for the books market are also very buoyant, providing firm evidence that modern consumer confidence supports a vital interest in reading. Publishers have been relieved because the period under review included the abolition of the net book agreement (NBA) — a trade agreement that maintained the prices of most new books at the prices set by publishers for many years. The anticipation had been that abolition would result in the sale of more discounted, popular books but would reduce the market value.

Advertising Revenues

Figures from the Advertising Association show that newspapers earned £5bn in advertising revenues in 2000 — far exceeding the amount that consumers spent on buying them. This gives newspapers a 41% share of the total UK advertising market (more than TV and radio combined), and the traditional strength of the newspaper is underlined by the fact that regional newspapers continue to take in more advertising than the nationals — £2.8bn in 2000, compared to £2.2bn for the nationals.

Newspaper advertising revenues increased by 39% between 1996 and 2000. Unfortunately, this progress will not be continued in 2001, and the same applies to magazines. Revenue for consumer magazines rose by 30% in the period 1996 to 2000, reaching a value of £750m. Business and professional titles took in £1.25bn in 2000. As Table 4.1 shows, consumer purchases of magazines are much more important, in relative terms, than is the case with newspapers.

INDUSTRY STRUCTURE

The apparent similarities in production processes (i.e. publishing and printing) do not carry through to ownership structures in the reading materials market, with very little overlap between the three sectors.

Newspaper Publishers

National Titles

The political alignments which are endemic in British national newspapers mean that their owners are well-known to the general public, and the proprietors may sometimes have political, and not only commercial, motivations for owning these outlets for public opinion. However, the 1990s saw a move towards ownership for commercial reasons among the major titles. The principal owners by market sector are:

- **Popular tabloids:** News Corporation, Rupert Murdoch's global media empire, owns the two best-selling tabloids *The Sun* (a daily newspaper) and *News of the World* (a Sunday newspaper). Trinity Mirror owns the main rival newspapers, *The Mirror* and *Sunday Mirror* (and also *Sunday People*, another Sunday tabloid).
- **Mid-market tabloids:** the two traditional rivals among the mid-market tabloids are the *Daily Mail* (owned by Daily Mail and General Trust) and *Daily Express*, with the respective Sunday titles *The Mail on Sunday* and *Sunday Express*.
- **Broadsheets:** News Corporation also owns the top-selling Sunday (*The Sunday Times*) but *The Daily Telegraph* (owned by Hollinger, a Canadian publisher) is the leading daily, selling around one million copies a day. Guardian Media Group owns *The Guardian* (a daily newspaper) and *The Observer* (a Sunday newspaper), while Independent News & Media, based in the Republic of Ireland, owns the daily broadsheet *The Independent* and the *Independent on Sunday*.

Regional Titles

The regional titles sector is naturally more fragmented, with local interests often represented. The largest groups are Trinity Mirror and Daily Mail & General Trust — both of which are also in the national market — Johnston Press and Newsquest.

Scotland is an exceptional market with a national sector of its own, including daily and Sunday broadsheets (*Glasgow Herald*, *Scotsman* and *Scotland on Sunday*.) In England, titles with large circulations include the *Evening Standard* (London), *Manchester Evening News*, *Evening Chronicle* (Newcastle), and *Express & Star* (West Midlands).

Book Publishers

Book publishing for the consumer is fragmented by the variety of interests in both fiction and non-fiction themes. Over 100,000 titles are published each year (including reprints and new editions, and academic and technical books). Very few of these make a profit, but publishing a new book title is as uncertain as funding a movie or a record album. Publishers make most of their profit from the handful of best-sellers.

Magazine Publishers

As in book publishing, specialisation by topic means that there are hundreds of specialised magazine publishers. The 1990s brought a proliferation of specialist leisure titles, particularly in sports and new technology areas (such as PCs and video games), and also new ranges of general interest titles for women (notably by foreign publishers) and for men. (Until the 1990s, it had been almost impossible to sell general interest magazines to men; the mould was broken by titles such as *GQ*, *FHM* and *Loaded*.)

Despite the fragmentation, the mass market sector features two outstanding publishers — IPC Media and EMAP PLC — each with a wide array of titles of interest to the consumer. Two important, and unique, subscription magazines are *Readers Digest* — an international magazine with a circulation of 1.2 million in the UK — and *Which?* for Consumers Association members. *Radio Times* is the flagship of the BBC's magazine output, which also includes successful leisure spin-offs from its programmes (*Good Food*, *Gardener's World*, *Top Gear*, etc.).

Contract publishing is a separate but important sector. The magazines are produced to promote an organisation (e.g. *AA Magazine*), or to develop customer loyalty (e.g. supermarket magazines: *Sainsbury's Magazine* sells more than 350,000 copies a month).

Trade Associations

There are a number of trade associations and organisations that represent the three sectors in the reading materials market:

- **Newspapers** — the Newspaper Publishers Association (representing the UK's national newspaper publishers), The Newspaper Society (representing the UK's regional newspaper publishers), the Press Complaints Commission (an independent body that establishes guidelines that the press should adhere to), and The Scottish Newspaper Publishers Association (which represents publishers of weekly and bi-weekly newspapers, and some free distribution papers, in Scotland).
- **Books** — The Publishers Association (PA) is the principal organisation that represents book publishers in the UK, and has a number of divisions, including the Book Development Council International (BDCI), The Council of Academic and Professional Publishers (CAPP), and The General Books Council (GBC).
- **Magazines** — The Periodical Publishers Association Ltd (PPA) is the main trade association for magazine publishers, and represents 300 publisher members.

MAJOR PLAYERS

BBC Worldwide Ltd

The BBC had considerable success during the 1990s with published spin-offs from its TV programmes, including videos, books and magazines. The Magazine Publishing division's best-selling title is *Radio Times* — the leading listings magazine for TV and radio. Monthly magazine spin-offs include *Top of the Pops*, *Clothes Show*, *Gardeners' World*, *Good Food* and *Homes & Antiques*. BBC Books regularly has titles in the top ten best-selling non-fiction books.

Financial Results

In the year ending 31st March 2001, turnover for BBC Worldwide Ltd increased by 12%, to £519.6m. The company made a pre-tax profit of £20.4m, compared to £6.8m in the previous year.

Bertelsmann UK Ltd

Although it is a privately-owned German company, Bertelsmann UK Ltd is ranked with the largest international media groups. In the UK, Bertelsmann's various interests include magazines from Gruner+Jahr (*Family Circle*, *Prima* and *Best*), books from Random House (bought in 1998) and Transworld, music from BMG and RCA, and Book Club Associates, the largest book mail order club.

Financial Results

Recent figures for Bertelsmann UK Ltd were not available at the time this report was published (October 2001).

Daily Mail & General Trust PLC

Associated Newspapers is at the core of Daily Mail & General Trust PLC, which includes magazines, radio and exhibitions among its interests. Its London-based titles are the *Daily Mail*, *The Mail on Sunday* and the *Evening Standard*, while Northcliffe Newspapers publishes 50 regional titles, both free and paid-for.

Financial Results

In the 52-week period to 1st October 2000, Daily Mail & General Trust PLC recorded a turnover of £1.86bn and a pre-tax profit of £176m. In the 53-week period ending 3rd October 1999, the company recorded a turnover of £1.62bn and a pre-tax profit of £201.9m.

EMAP PLC

Built up originally as East Midlands Allied Press, EMAP PLC expanded from local newspapers and printing into UK consumer magazines, radio and media in France and the US. In UK magazines, EMAP is second in the market behind IPC Media. It has a range of women's titles (Elan division) as well as youth, style, music, sports and hobby titles (a total of 220 titles worldwide).

Financial Results

In the year ending 31st March 2001, EMAP PLC achieved a 4.5% increase in turnover, to £1.15bn. The company made a pre-tax loss of £527m, compared to a pre-tax profit of £157m in the previous financial year.

Guardian Media Group PLC

Originally based in Manchester, where it still publishes the *Manchester Evening News*, Guardian Media Group PLC became a national publisher with *The Guardian*, and later acquired *The Observer*. The Media Group title was added to reflect investments in radio and TV in the late 1990s, but newspapers remain at the Group's core.

Financial Results

In the 53-week period ending 2nd April 2000, Guardian Media Group PLC achieved a turnover of £389.9m and a pre-tax profit of £73.5m. In the 52-week period ending 28th March 1999, the company recorded a turnover of £365.8m and a pre-tax profit of £68.2m.

IPC Media Ltd

IPC has long been the UK leader in the crucial market for women's magazines, where it publishes over half of the top titles (with weekly titles including *Woman*, *Woman's Own*, *Woman's Weekly*, and *Chat*, and monthly titles such as *Marie Claire* and *Now*). IPC is also strong in listings (*What's On TV* and *TV Times*) and men's magazines (*Loaded* and *Later*). Other divisions of the company publish magazines for teenagers, music, sport, country pursuits and other leisure specialist titles.

IPC was part of the Reed Elsevier group for many years before a management buy-out (MBO) in 1998. It was revealed in July 2001 that AOL Time Warner was to acquire the parent company of IPC Media, IPC Group Ltd.

Financial Results

In the year ending 30th September 2000, IPC Media Ltd achieved a 2.5% increase in turnover, reaching £359.7m. Pre-tax profits increased by 22.4%, to £69.4m. The company was known as IPC Magazines Ltd until 8th June 2000.

News Corporation PLC

News Corporation PLC, an Australian company headed by Rupert Murdoch, operates in the UK through several subsidiaries representing its global interests in media and publishing. News International PLC has been established for many years as the leading national newspaper publisher in the UK (*The Times*, *The Sunday Times*, *The Sun* and *News of the World*).

The HarperCollins subsidiary is one of the largest Anglo-US book publishers, and the group's media interests of relevance to the UK are Sky TV — the leading satellite broadcaster — and 20th Century Fox, one of the major Hollywood studios.

Financial Results

In the year ending 30th June 2000, News International PLC returned a turnover of £62.2m — a 16.9% increase over the previous year. The company recorded a pre-tax profit of £800.8m, compared to £156m in the previous year.

Pearson PLC

In terms of reading materials for leisure, Pearson PLC's main role is as the owner of Penguin, the leading paperback publisher, and also Longman (popular reference books as well as textbooks). The late 1990s saw Pearson, once a diversified conglomerate, dispose of many non-core interests and make further acquisitions in educational publishing (Prentice Hall, Simon & Schuster and Dorling Kindersley). Business information is another core interest, through the *Financial Times* (Europe's leading business daily), a 50% share in *The Economist*, and related Internet services.

Financial Results

In the year ending 31st December 2000, Pearson PLC's turnover increased by 16.3%, to £3.87bn. Pre-tax profits, however, fell by 40.5%, to £284m.

Trinity Mirror PLC

Created through a merger in 1999, Trinity Mirror PLC is the largest publisher of local newspapers in the UK, with over 250 titles. In national newspapers, the Mirror Group contributed several tabloid titles to the merged group: *The Mirror*, *Sunday Mirror*, *Sunday People*, and in Scotland, the *Daily Record* and *Sunday Record*.

Financial Results

In the 52-week period ending 31st December 2000, Trinity Mirror PLC achieved a turnover of £1.08bn and a pre-tax profit of £315.3m. In the 53-week period ending 2nd January 2000, the company recorded a turnover of £595.8m and a pre-tax profit of £103m.

Advertising

Newspaper Publishers

The main advertising campaigns for each national newspaper are worth tabulating because the publishers spend very heavily on them to maintain the circulation. For example, nearly £12m was spent on advertising *The Sun* in the year ending June 2001. (In comparison, £15m was spent by all the book publishers in the same period.)

**Table 4.2: Main Media Advertising Expenditure
by Newspaper Publishers (£000), Year to June 2001**

	£000
The Sun	11,937
Daily Mail [†]	11,690
The Mail on Sunday	11,094
News of the World	6,874
The Daily Telegraph	6,821
The Times	6,764
The Sunday Times	5,996
The Mirror	5,438
The Guardian	4,255
Daily Express	3,819
The Observer	3,677
Evening Standard (London)	3,592
The Independent	3,528

Table continued overleaf...

Table 4.2: Main Media Advertising Expenditure by Newspaper Publishers (£000), Year to June 2001

...table continued from previous page

	£000
Financial Times	3,329
Sunday Express	2,674
Glasgow Herald	1,220
Sunday Mirror	1,676
Sunday People	1,572
The Sunday Telegraph	1,537
Other	10,742
Total	108,235

† — including Scottish editions

Source: ACNielsen MMS

News Corporation's UK subsidiaries spent no less than £31.6m on its four national titles — *The Sun*, *News of the World*, *The Times* and *The Sunday Times*. Daily Mail & General Trust is another large advertiser, spending £22.8m on its two national titles — *Daily Mail* and *The Mail on Sunday* — in the year ending June 2001.

Some of the regional titles are also heavily advertised, including the *Evening Standard*, for London, and the *Herald*, for Glasgow.

Book Publishers

Although book publishing appears to have become more commercialised over the years, publishers spend relatively little on advertising. Instead, they rely on more efficient ways of marketing books, including public relations for authors, press reviews and book launches. Only £14m was spent in the year ending June 2001.

Table 4.3: Main Media Advertising Expenditure by Book Publishers (£000), Year to June 2001

	£000
Penguin	1,177
Hodder/Headline	1,075
HarperCollins	1,064
Bantam/Corgi	626
Random House	619
Mills & Boon	560
Transworld	504
BBC Books	437
Other	8,850
Total	†14,911
<i>† — does not sum due to rounding</i>	
<i>Source: ACNielsen MMS</i>	

The most likely publishers to spend money on advertising regularly are those with paperback series which are recognised as brands, such as Penguin — the leading paperback imprint — and Mills & Boon, the romantic fiction series.

Magazine Publishers

The amounts spent on advertising consumer magazines have risen substantially in recent years to £55.9m in the year to June 2001. This reflects the many new launches into an already crowded marketplace for many strands of consumer interest.

A new launch of a general interest or women's magazine by a major publisher usually incurs very heavy spending in the year of launch. This was typified in 2000/2001 by the £3.3m spent on *Real*, and the amounts spent on the relatively new *Heat* — an entertainment magazine — and *Glamour*, for women.

**Table 4.4: Main Media Advertising Expenditure
by Consumer Magazine Publishers (£000), Year to June 2001**

	£000
By Type	
General consumer	23,554
Partworks	12,344
Women's	11,170
Health	1,614
Other specialist	7,247
Total	55,929
By Title	
Auto Trader	3,736
Real	3,340
Heat	2,686
Woman's Own/Woman	2,342
Radio Times (BBC)	2,093
The Economist	1,762
Reader's Digest	1,744
TV Times	1,713
PC Know How (Eagle Moss — partwork)	1,515
Glamour	1,146
Art Course (De Agostini — partwork)	1,129
Mega Bikes (Hachette — partwork)	1,126
Take a Break	1,112
Yours	1,038
Sabrina's Secrets (Fabbri — partwork)	1,028
Teddy Bear Mag (Eagle Moss — partwork)	1,083
Hello	997
Chat	912
Other	25,426
Total	†55,929
<i>† — does not sum due to rounding</i>	
<i>Source: ACNielsen MMS</i>	

There has also been a trend to promoting and relaunching older, established titles. In the media listings category, it was *Radio Times* and *TV Times* that had the significant spends in 2000/2001 (*Radio Times* was redesigned for a relaunch). The long-running *Woman's Own* and *Woman* were rejuvenated and relaunched by IPC, while other established titles that are still advertised heavily, each with a distinct niche, include *The Economist*, *Exchange & Mart*, and *Reader's Digest*.

Partworks are as popular as ever, with new companies entering the market. Like TV-advertised recordings, expenditure is high on launching partworks, invariably involving the use of TV commercials. Eaglemoss and Fabbri have been particularly active recently.

BUYING BEHAVIOUR

Newspapers

Consumer penetration for newspapers has always been relatively high in the UK, particularly for national newspapers. The proportion of adults who read newspapers has slowly declined over the years, but over 50% still read a national newspaper, both during the week and on Sunday.

Table 4.5: Newspaper Readership by Adults (%), July 2000-June 2001

Newspaper Categories	Adults Reading (%)
Any national daily [†]	53
Any national Sunday [†]	56
Any regional morning or evening	24
Any regional evening	21
Any free weekly (local)	52
Any paid-for weekly (local)	29

[†] — includes tabloids and broadsheets

Source: National Readership Survey (NRS Ltd)

In the regions, paid-for weeklies have lost some readers, but the market remains surprisingly resilient, with 29% of adults still reading a local paper, despite the availability of free alternatives, usually delivered directly to the home. In 1991, readership of local paid-fors was only a few percent higher than in 2001.

Books

Book publishers targeting the consumer market tend to rely on a small core of regular book buyers, rather than the millions who buy books only occasionally (e.g. to go on holiday with) or as gifts.

In hardback books, for example, only 2% of adults buy more than nine hardbacks a year, according to Target Group Index (TGI), whereas over a third of the population buy at least one hardback a year. Half of adults regularly buy at least one paperback a year, but less than 10% can be considered as regular buyers.

The fragmented structure is illustrated in Table 4.6, which shows some of the leading categories of consumer books.

	Paperback	Hardback
Fiction	33.5	14.4
Biography/autobiography	9.3	8.0
Children's	8.3	6.6
Reference	7.0	8.0
Cookery	5.1	7.8
Gardening	5.1	5.8
Other non-fiction	12.2	8.3

Source: Target Group Index (TGI), © BMRB International Ltd, 2001

Fiction publishing predominates, since a third (33.5%) of adults buy fiction paperbacks, and 14.4% buy the more expensive hardbacks. Fiction bestsellers come either from authors who are guaranteed to sell large quantities (e.g. Catherine Cookson and Stephen King) or, less predictably, from new authors. (In between are the lesser known authors who win prizes such as the Booker Prize.)

The remarkable success of the 'Harry Potter' children's books by JK Rowling has dominated best-seller fiction in recent years. The books have crossed over from the children's section to general fiction, and have been the top sellers in both hardback and paperback fiction.

Biographies of the famous offer another rich seam of publishing, while the annual demand for reference books is more predictable. Apart from dictionaries, encyclopedias and Bibles, there are bookstore standbys such as 'The Highway Code' and the 'Guinness Book of World Records'. Cookery is the bestselling specialist category, inspired in the modern era by TV cooks, such as Delia Smith, whose books are perennials among the annual best-sellers.

Gardening, travel, sport, technology and health issues are among the other popular subjects, and most are the province of specialist publishers, meaning that the UK has over 2,500 book publishers in total. Many of these are supported by the importance of English as an international language, creating demand for exports.

Books to read are available to consumers from a wide variety of cheap or free sources — e.g. libraries, borrowed from friends, books being re-read, second-hand purchases — and therefore there is a limit on the need to buy new books.

Magazines

The National Readership Survey also shows a gradually shrinking market for most magazines, in terms of number of readers. Adult penetration has fallen from 43% to 39% for general weekly magazines over the past 10 years, while readership for women's weeklies has dropped from 45% to 37%.

However, monthly magazines have fared better, and this includes the lucrative markets for glossy, special interest titles. These magazines are an important medium for advertisers to reach consumers with specific leisure interests, such as motoring, gardening or pop music. Around half the population now read a monthly magazine, up from 45% 10 years ago. This reflects the broader range of specialist interest titles available, but also the emergence of the men's magazine category.

Few magazines can hope to reach the broad penetration levels achieved by national newspapers. Among those with the highest readerships are the listings magazines, such as *What's On TV*, read by 9.5% of adults in the annual National Readership Survey to March 2001, and followed by BBC's *Radio Times* (7.2%). Apart from the listings, *Auto Trader* is the only weekly title to achieve a readership of more than 3% of the population. Monthlies are more broadly spread, with the following varied titles reaching at least 3% of the population (over 1.5 million adults): *FHM* (men's), *Reader's Digest* (general), *Loaded* (men's), *National Geographic* and BBC's *Gardeners' World*.

FORECASTS 2001 TO 2005

The long-predicted decline of reading did not happen during the 1990s, although it is possible that a serious decline will occur among the newer generation, used to obtaining information from the Internet. (A website could, of course, be defined as 'reading material'.) Generally, however, the traditional media continue to play a central role in society and culture, despite changes in distribution and formatting, i.e. the book, magazine or newspaper of 2001 would be immediately recognisable to the reader of 50 years ago, and the same is likely to hold true in the future.

The immediate problem faced by newspapers and magazines is the loss of advertising revenues in the impending global recession of late 2001 and into 2002. This is not shown in the consumer spending figures in Table 4.7, which reflects likely higher publication sales in 2001 due to coverage of the terrorist attacks in the US in 2001. Consumers may reduce their buying of expensive magazines in the next recession, although most special interest titles are fairly immune to general economic trends. Book publishers have ridden out the threats of 'electronic books' on the Internet and the abolition of the NBA, and can look forward to continued growth.

Table 4.7: The Forecast UK Reading Materials Market by Sector by Value[†] (£m), 2001-2005					
	2001	2002	2003	2004	2005
Media					
Newspapers	2,900	2,750	2,850	2,900	2,750
Magazines	2,250	2,350	2,500	2,750	3,000
Total media	5,150	5,100	5,350	5,650	5,750
Books	2,750	3,000	3,000	3,200	3,250
Total	7,900	8,100	8,350	8,850	9,000
<i>% change year-on-year</i>	5.4	2.5	3.1	6.0	1.7
<i>† — consumer expenditure only</i>					
<i>Source: Key Note</i>					

SECTION FIVE

HOME VIEWING

5. Home Viewing

INTRODUCTION

This section provides an overview of in-home entertainment that involves viewing, or audio-visual entertainment, rather than reading or listening. Excluded from the coverage in this section are video and computer games, and the use of home computers, which is not treated purely as a leisure activity.

The three markets covered are well-defined and well-established ones:

- Consumer spending on audio-visual equipment (not audio on its own), comprising mainly TV sets, VCR (video cassette recorders), and equipment for receiving (and decoding) broadcasts using satellite, cable or digital terrestrial.
- The recordings market, sometimes simply described as 'video', but now including both video cassettes, DVD (digital versatile disc) and other types of digital disc. Blank video cassettes and discs for consumer recording are included here. (Time-shifting, or taping programmes for viewing later, has been an important aspect of viewing behaviour since the 1980s.)
- Television broadcasting, a market financed by a combination of licensing revenues (TV owners must pay an annual fee, that supports mainly the BBC), subscription income (e.g. to Sky TV or ITV Digital), pay-per-view broadcasts (or 'narrowcasts'), and advertising and programme sponsorship revenues.

The main abbreviated terms for audio-visual technology in the consumer markets are as follows:

- BBC — British Broadcasting Corporation
- DTH — direct-to-home broadcasting (via satellite)
- VCR— video cassette recorder, using an analogue electromagnetic tape system
- DVD — an advance on the CD for the recording of sound and vision.
- Nicam is the main system for providing superior, stereo sound on domestic TV sets
- 'sell-throughs' are videotapes or DVDs of movies that are bought outright by the consumer (as opposed to the rental market).

KEY TRENDS

Television has come to dominate leisure time in the UK, as in much of the rest of the world, but the market for home viewing has steadily become more fragmented. Commercial television in the UK is no longer the 'licence to print money' it once was, with competition stemming from:

- multichannel packages challenging the terrestrial channels
- a division between basic and premium services, including more pay-per-view options for movies and sport
- video rentals, sell-throughs, and time-shifted viewing of recorded programmes competing for live 'TV time'.

Two beneficial trends for broadcasters are the technological advance towards digital broadcasting, allowing them to offer better pictures and sound, and multiset television households, which make it feasible to produce more targeted programming and channels. The equipment industry is also set to benefit as consumers upgrade to widescreen and digital TV sets and DVD.

The proliferation of technologies and channels has forced the original terrestrial channels — all working under a 'public service' remit — to be more aggressive in winning audiences.

The populist or 'dumbing down' approach is causing some resentment among licence-fee payers, who constitute much of the population. However, broadcasters are responding only to the commercial reality that only certain types of programming can guarantee large audiences — recent blockbuster movies, Premiership and international football matches, and the most successful 'sitcoms' or game shows. One aspect of this popular approach is its passivity — the much vaunted trend towards interactive TV has yet to develop any scale.

MARKET SIZE

Television and Video Equipment

Recent years have marked a turning point for home viewing equipment. The availability of DVD players since 1998 and of a growing range of sophisticated TV sets (stereo, widescreen, 'home cinema' packages and digital sets) is now reflected in market growth, following slower sales growth in the mid-1990s.

Table 5.1: The UK Television and Video Equipment Market by Sector by Value (£m), 1996-2000

	1996	1997	1998	1999	2000
Television sets [†]	1,247	1,272	1,326	1,200	1,300
VCR/DVD [‡]	880	655	532	593	650
Total	2,127	1,927	1,858	1,793	1,950
<i>% change year-on-year</i>	-	-9.4	-3.6	-3.5	8.8
<i>VCR — video cassette recorders</i>					
<i>DVD — digital versatile disc</i>					
<i>† — includes purchases of satellite dishes and decoders</i>					
<i>‡ — DVDs launched in 1998; first full year on sale in 1999</i>					
<i>Note: market size figures for VCR/DVD are for outright purchases by consumers only</i>					
<i>Source:Key Note</i>					

Sales of satellite dishes are now incorporated with the TV sets market. (In 1995 and 1996, households were spending over £100m on satellite.) A wide variety of special deals means that new subscribers to satellite or digital terrestrial services are provided with receiving and decoding equipment as part of their subscription packages.

The packaging of channels and equipment has also benefited the declining market for TV and video rental. Government consumer spending figures suggest that household spending on rented equipment (TV, VCR/DVD and dishes/decoders) has levelled off at around £650m a year.

Television and Video Services

Consumers now spend less on viewing products (ownership of TV sets, etc.) than on services. Services include:

- the television licence fee (government income of £2.8bn a year, used mainly to fund the BBC)
- subscription fees to satellite, cable or digital terrestrial channels and communication services, worth around £1.8bn a year
- rental of equipment (£650m), including packaged channel subscriptions from rental companies, such as Box Clever
- repairs, initial installation fees and insurance of equipment, valued at £100m a year.

Funding of TV Channels

In addition to the licence fee (to support the BBC) and subscriptions paid to cable, satellite and digital terrestrial broadcasters, funding of television broadcasting relies on advertising revenues. In fact, the three terrestrial, commercial channels (the ITV network, Channel 4 and Channel 5) are funded almost entirely by advertising and sponsorship revenues, although programme sales and licensing also contribute to their income.

The £1.8bn of subscription income is increasingly complicated by individual packages and by pay-per-view broadcasting.

Other Viewing Markets

Videotapes and Discs

The market for videotape (analogue) and digital discs (mainly DVD format) divides into three distinct sectors, two of which are products and one a service. The products that consumers buy are:

- blank cassettes and discs for recording TV films and programmes at home, either to collect or to temporarily 'time-shift' their viewing (or for home movies). The demand for 'blanks' of all types is fairly flat, at around £150m a year.
- sell-through videos, which are mainly movies and children's programmes (see Buying Behaviour).

The service element is the rented videotape or DVD. The rental market and the sell-throughs can also be combined — the products are broadly the same — and the market is no longer showing dramatic growth. In part, this is due simply to maturity, but also because the typical 'TV-loving' household that once hired or bought numerous tapes will now have subscriptions to a variety of movie, sport, music and entertainment channels.

	1996	1997	1998	1999	2000
Sell-through	803	854	940	882	850
Rentals	382	369	437	408	400
Total	1,185	1,223	1,377	1,290	1,250
<i>% change year-on-year</i>	-	3.2	12.6	-6.3	-3.1
<i>Source: Key Note</i>					

Camcorders

Camcorders represent a separate audio-visual market, since they are bought by the minority of consumers interested in filming as a hobby. The market is worth around £250m a year.

A certain amount of saturation has set in for two reasons. Firstly, the appeal of making home movies is restricted, particularly to families or those prepared to spend time on editing as a hobby.

Second, the entry level pricing for camcorders has remained at a fairly high level, and the market is in transition from analogue to digital camcorders. Currently, there is little point in buying an analogue camcorder when digital offers superior quality and the ability to use home PCs for editing. Therefore, those consumers who are interested in home movies are paying the higher price needed to invest in a digital camcorder (upwards of £600), and this again restricts the volume of sales.

INDUSTRY STRUCTURE

An extremely complex range of companies supply visual home entertainment. It is impossible in the scope of this Review to do justice to all companies involved, but Table 5.3 highlights the major players.

Table 5.3: Selected Major Companies in Home Viewing by Activity, 2001	
Activity	Companies
Manufacturing	Sony, Panasonic, Toshiba
Broadcasting	BBC, ITV network, Channel 4, Channel 5, ITV Digital
Satellite channels	Sky TV (News Corporation)
Equipment rental	Box Clever
Video rental/sale	Blockbuster Video, Global Video
Cable services	NTL, Telewest
Movie production	Walt Disney, Warner Bros.

Source:Key Note

Equipment Supply

The consumer audio-visual equipment market has been dominated for many years by Japanese companies, led by Sony and Matsushita (through the JVC and Panasonic brands), but with competition provided by many other Japanese and Far East companies. A similar range of companies, plus some European competitors (notably BASF), are dominant in blank media production.

There have been isolated attempts in the past to bring together manufacturing of the hardware for home viewing with its 'software' (broadcasting, movie and music production), but the sectors are now generally separate. The exception is Sony, which has an entertainment division (movies, videos and recorded music) based on CBS and Columbia Pictures in the US. Matsushita, Philips and Granada are major companies that no longer attempt to combine hardware and software activities.

Broadcasting

Multichannel television, made possible in the 1990s by a combination of deregulation and digital technology, has made the broadcasting market far more complex than it was as recently as the late 1980s.

Nevertheless, the five terrestrial channels — BBC1, BBC2, ITV, Channel 4 and Channel 5 — continue to account for the bulk of viewing in the UK. In August 2001 — the latest month from the Broadcasters Audience Research Board (BARB) — these five channels accounted for 78% of hours viewed (BBC and BBC 2 accounted for a combined total of 37%, ITV for 25%, Channel 4 for 10% and Channel 5 for 6%).

The other 22% of viewing hours are divided thinly across the many satellite and cable channels, although Sky channels as a whole have 10% of the market, dominated by the three Sky Sports channels, various Sky movie channels and Sky One (general entertainment). Other relatively popular channels are Bravo, Cartoon Network, Disney Channel and MTV. However, the viewing has become more complicated and fragmented since the launch of cable/satellite or digital terrestrial channels by the original broadcasters — BBC Choice from the BBC, ITV2 from ITV, Granada Plus, Breeze and Men & Motors from Granada (an ITV franchise), and Channel 4's E4, launched as a digital channel in 2001.

Cable, Satellite and Digital Terrestrial Delivery

Recently, the delivery of broadcast programmes to the home has been the area of heaviest investment, since cable companies can also offer low-cost telephone calls and Internet connection. There are over 130 local cable franchises available, although companies are allowed multiple ownership, and therefore only seven companies are involved. The largest of these are based in the US, where deregulation has gone further and cable has developed more rapidly. In the UK, the leading operators are NTL, Telewest, CWC and Eurobell.

BSkyB represents the merger of the two major satellite suppliers to the UK. The merger occurred when the uptake of subscriptions was going too slowly to support two satellite companies, with terrestrial digital broadcasting on the way. Digital services started in the late 1990s with OnDigital (owned by a consortium of broadcasters) which kick-started the market by providing free 'set-top boxes' (digital decoders) with new subscriptions. In 2001, the service was acquired by another consortium and renamed ITV Digital.

Videotape and DVD Supply

Feature films dominate both the rental and sell-through sectors in the videotape market. The major US film studios therefore dominate the 'recordings' market, and are related to the companies which produce and distribute movies originally for the cinema.

In addition to Walt Disney, the major suppliers are subsidiaries of, or joint ventures associated with, the major 'Hollywood' studios:

- Walt Disney is particularly strong in sell-through (for its children's movies and cartoons) but is also a large producer and distributor of general movies (through Buena Vista)
- CIC Video (Cinema International Corporation) represents the Paramount and Universal studios
- Fox Pathé distributes home videos for 20th Century Fox
- Warner Home Video distributes for Warner Brothers (its parent company is AOL Time Warner)
- Columbia Tristar distributes for Columbia (Sony Pictures).

Outside the 'Hollywood' movies, the supply is much more fragmented, and features the BBC, Polygram, Virgin and many other independents.

Trade Associations

The **Broadcasters Audience Research Board** (BARB) is jointly-owned by the BBC, ITVA, Channel 4, Channel 5, and the Institute of Practitioners in Advertising (IPA). BARB is responsible for two research services — audience measurement and audience reaction.

The **Broadcasting Standards Commission** (BSC) is the only body within the regulatory framework of UK broadcasting that covers all television and radio — both terrestrial and satellite. It is the body for standards and fairness, and has three main tasks established under the 1996 Broadcasting Act:

- to produce codes of conduct relating to standards and fairness
- to consider and adjudicate complaints
- to monitor, research and report on standards and fairness in broadcasting.

The **Independent Television Commission** (ITC) was established by the 1990 Broadcasting Act, and licenses and regulates commercial television in the UK. The ITC looks after viewers' interests by setting and maintaining standards for programmes, advertising and technical quality. It is independent from the Government and broadcasters, and is funded by the fees the licensees have to pay.

MAJOR PLAYERS

AOL Time Warner

Originally created in the 1980s by the merger of the publishers of *Time* magazine and Warner Brothers, this US company expanded again in 2001 by merging with America On-line — the leading Internet company in the US domestic market (and also active in the UK, through AOL and CompuServe).

The Warner Bros. element is of most relevance to the home viewing market. It is behind one of the largest film studios and is also a major force in recorded music and cable TV channels.

In July 2001, it was announced that AOL Time Warner was set to acquire IPC Group Ltd (parent company of IPC Media Ltd) from Cinven, a private equity firm.

Financial Results

Time Warner Ltd recorded a turnover of £408.5m for the 52-week period ending 31st December 1999, and a pre-tax profit of £19.1m. In comparison, in the 57-week period ending 31st December 1998, the company returned a turnover of £388.4m and a pre-tax profit of £18.2m.

BBC

The BBC represents public service broadcasting in the UK, for both TV and radio, and it is funded mainly by a licence fee, charged to all owners of TV sets. However, the BBC is also allowed to operate commercially (although it may not accept advertising on its main channels), and has income streams from programme sales and licensing, magazines and books, recorded music, and advertising revenue on its digital channels (e.g. BBC Choice).

In 2001, it was admitted that BBC Choice had not been a success. New channels are planned, including a 'culture and ideas' channel (possibly 'BBC4') and a children's channel, although plans for a youth channel have been shelved.

British Sky Broadcasting Group PLC

Trading as BSkyB, British Sky Broadcasting Group PLC is owned by a consortium led by Rupert Murdoch's News Corporation, the owner of Sky TV. Other shareholdings have shifted over the years, and include Vivendi, a major French media group.

BSkyB is the leading satellite broadcaster to the UK, although the Sky channels are dominant (both by satellite and Sky Digital, via terrestrial services).

Financial Results

In the year ending 30th June 2000, turnover for British Sky Broadcasting Group PLC achieved a 19.5% increase in turnover, reaching £1.85bn. However, the company made a pre-tax loss of £262.7m, compared to a loss of £388.7m in the previous year.

Carlton Communications PLC

Carlton has recently sold its Film Processing and Video Duplication division, one of the largest of its kind in the world, and this concentrates the company on UK broadcasting. It has four of the ITV franchises, including the lucrative London weekday service (under the 'Carlton' name) and Central TV (the Midlands). A proposed merger with United News & Media was blocked by the Government in 2000.

Like the BBC and other major ITV franchise holders, Carlton is a major programme producer and also develops channels for cable and satellite (e.g. Carlton Cinema, a widely distributed movie channel). With Granada, another large ITV franchise holder, Carlton shares ownership of ITV Digital (previously 'OnDigital').

Financial Results

Carlton Communication PLC's turnover increased by 7.3% in the year ending 30th September 2000, to £2.08bn. The company made a pre-tax loss of £241.9m, compared to a pre-tax profit of £152.4m in the previous financial year.

Granada Group PLC

An extremely diversified conglomerate in the 1980s, Granada Group PLC spent the 1990s narrowing down its range of interests, although the Granada TV franchise (for the north of England) has been a constant.

The year 2000 was a very active one: the Group paid £1.75bn to acquire four ITV franchises from United News & Media. There followed a merger with Compass Group, which took away Granada's Hotels and Catering divisions, leaving the 'new' company associated entirely with media.

With Carlton, Granada is a part-owner of ITV Digital. It is a major programme maker and developer of pay-TV and Internet services. One remnant of the past is Granada's 50% share in Box Clever, the UK's dominant High Street rental chain for consumer electronics. The 500-strong chain is jointly-owned with the Japanese investment bank Nomura International.

Financial Results

In the 53-week period ending 30th September 2000, Granada Group PLC recorded a turnover of £3.08bn and a pre-tax profit of £1.9bn. In the 52-week period ending 25th September 1999, Granada recorded a turnover of £4.1bn and a pre-tax profit of £1.04bn.

The Walt Disney Company Ltd

The Walt Disney Company is the leader in children's entertainment, whether as movies or TV cartoons. Its films and animations are distributed in the UK either under its own Disney name or through the subsidiary Buena Vista. The famous Disney characters and stories also generate income through merchandising (toys, music and clothing) and the four Disney theme park locations.

Financial Results

In the year ending 30th September 2000, The Walt Disney Company Ltd achieved a 24.4% increase in turnover, reaching £146.8m. The company made a pre-tax profit of £8.3m — a 12.5% increase over the previous year.

Advertising

Television

The transition in the television market from a handful of terrestrial broadcasters to multichannel television is reflected in the advertising statistics. BSkyB — the dominant satellite broadcaster — spends far more than any other company: £37.9m on all its Sky services in the year ending June 2001, compared with £2.9m spent by the BBC and £9.8m spent by Channel 4.

OnDigital had the highest spend after Sky, although this reflects the launch period of the OnDigital service. The change to ITV Digital may mean that some of this branding in the main media was wasted.

Table 5.4: Main Media Advertising Expenditure by Television Companies (£000), Year to June 2001

	£000
Sky	
Sky Digital	18,223
Sky Satellite	10,023
Sky Sports	6,328
Other Sky	3,324
Total Sky	37,898
OnDigital	22,126
NTL	14,454
Channel 4	9,819
Homechoice	6,273
Channel 5	5,968
Teletext	5,569
Discovery Channel	3,247
BBC Television (network)	2,901
Telewest	2,531
Carlton (London franchise)	2,048
Nickelodeon/Paramount	1,944
Bravo	1,835
Taste	1,801
ITV (network)	1,766
UK Living	1,656
E4	1,461
Disney Channel	1,375
Granada [†]	688
Other	21,955
Total	‡147,312
<i>† — includes joint campaigns (e.g. Granada + Sky)</i>	
<i>‡ — does not sum due to rounding</i>	
<i>Source: ACNielsen MMS</i>	

One of Sky's major campaigns in 2001 has been to attract non-satellite users to its Sky Digital service, available without a satellite dish via cable, through OnDigital boxes (now ITV Digital) or through digital TV sets. However, the company still spends heavily on promoting the DTH (dish) services, and also backs Sky Sports substantially (£6.3m in the 2000/2001 period) to protect it against other sports services like the new ITV Sport channels.

The advertising reflects the transition from a clearly divided market between terrestrial and other channels to a more fluid type of 'delivery' to the home of entertainment and other communications services. Hence, the telecommunications companies NTL and Telewest are among the prominent advertisers — their networks offer access to television and interactive TV as well as telephone services. (NTL advertising includes DigitalPlus.)

The many other television channels backed by at least £500,000 a year include UK Play, Living, Artsworld, Cartoon Network, Film Four, Dot TV, UK Gold, TV Travel Shop and Style.

Prerecorded Video and DVD

Prerecorded video and DVD is a volatile advertising market in that each year the top film titles are different, although the major Hollywood studios are the ultimate backers. The spending of each studio or film distributor in a given year depends on how many blockbuster titles they have on the market.

Disney films and programmes, whether released through Buena Vista or under the Walt Disney label, usually attract among the highest marketing budgets, and 2000/2001 was no exception.

Disney spent highly on its DVD releases in the year to June 2001. *Dinosaur* had the highest advertising support, at £1.2m. This was closely followed by Warner Home Video's advertising support for the release of *Perfect Storm*. Of the video distributors, Buena Vista spent the most on advertising its video range, reaching £6m during the 2000/2001 period. Significant advertising campaigns within this figure include those for *Tarzan* (with a spend of £1.3m) and for *Toy Story 2* (with a spend of £1.6m). Buena Vista was followed by Fox Video, which spent £2m on advertising in the year to June 2001.

**Table 5.5: Main Media Advertising Expenditure on
Prerecorded Video Cassettes and DVD (£000),
Year to June 2001**

	£000
DVD Titles	
Warner Home Video DVD range	1,654
Dinosaur (Walt Disney)	1,213
Perfect Storm (Warner Home Video)	1,082
Lady & the Tramp 2 (Walt Disney)	748
Billy Elliot (Universal Video)	633
Little Mermaid 2 (Disney)	585
Road to El Dorado (Dreamwork)	542
Other	7,292
Total	13,749
Video Distributors	
Buena Vista Video	5,979
Fox Video	2,018
Carlton Video	1,857
Universal Video	1,744
Warner Video	1,655
Polygram Video	1,080
Columbia Video	994
Other	10,548
Total	†25,874
<i>DVD — digital versatile disc</i>	
<i>† — does not sum due to rounding</i>	
<i>Source:ACNielsen MMS</i>	

BUYING BEHAVIOUR

Viewing Equipment

The ownership and viewing of television sets is virtually universal in the UK. According to the BARB Establishment Survey, on which TV viewing and subscription statistics are based by the industry, there are 24.4 million 'TV homes' in the UK. All of these receive the five terrestrial channels, while just under 10 million homes also receive either cable or satellite channels.

An important consumer trend for both broadcasters (and advertisers) and manufacturers of equipment has been multiple ownership. Between 1995 and 2001, the proportion of homes with more than one TV set has climbed from 54% to 62%, according to BARB, meaning that more people (both adults and children) can choose what they watch in the kitchen or in the bedroom as well as the living room.

VCR penetration has also probably reached its saturation point, at 85% of homes. The trend is now is for VCR to be replaced by DVD. In 2001, DVD ownership reached 5% for the first time.

Cable and Satellite Television

Penetration of cable and satellite subscriptions was held back in the early years by several factors: slow progress with cabling (creating the physical infrastructure), objections by affluent home-owners to having large satellite dishes on their houses, and a limited range of channels and programming.

Recent years have brought better progress, with BARB figures showing that 20.4% of homes were receiving DTH broadcasts by 2000, from 15% in 1996. More recently, the number of homes with DTH has risen rapidly, from 4.2 million in February 2000 to 5.5 million in February 2001. Within the same year, cabled homes only increased from 3.4 million to 3.5 million.

Hiring and Sell-Through Video

Buying of sell-through videos involves around half the population, a ratio which has not changed since rapid growth in the early 1990s to mid-1990s.

The themes bought or hired are of interest, as they reveal the dominance of the Hollywood movie. According to results in the 2001 Target Group Index (TGI) survey, 22.4% of adults hired an 'action' movie, more than any other single category, and very few bought TV programmes as sell-throughs. Young children's videos (especially Disney) are perennially popular in sell-through, but consumers without children are most likely to buy action films.

**Table 5.6: Buying and Hiring Videos by Theme
(% of adults), 2001**

	Hired	Bought
Action film	22.4	11.7
Other adult film theme	19.1	10.8
TV comedy	3.7	5.6
TV drama	2.1	2.5
Sport	1.1	3.2
Music	1.0	4.0
Disney, other animation	4.7	11.3
Other children's	4.1	8.7

Source: Target Group Index, © BMRB International Ltd, 2001

FORECASTS 2001 TO 2005

Although the UK may be moving towards a recession in the early 2000s, the consumer appetite for new home technologies should sustain this market. The switch from analogue to digital equipment is driving the market, currently from VCR to DVD, with the major uptake of digital TV sets still to come.

The next 5 years will see growing awareness of plans to curtail analogue broadcasting, putting pressure on consumers to upgrade both their TV sets and their recording equipment. (In the US, Blockbuster, which also dominates the UK video rental market, has recently announced a decision to make many more titles available on DVD instead of tape.)

Table 5.7: The Forecast UK Home Viewing Market by Sector by Value (£m), 2001-2005

	2001	2002	2003	2004	2005
Viewing equipment [†]	2,200	2,500	2,500	2,600	2,750
Services [‡]	5,500	5,700	5,900	6,000	6,000
Total	7,700	8,200	8,400	8,600	8,750
<i>† — includes TV sets, VCR and DVD players, receivers and decoders (dishes, digital boxes, etc.)</i>					
<i>‡ — includes licence fees, rental and subscriptions to channels/television services</i>					
<i>Source:Key Note</i>					

While the viewing equipment market should grow, even through a recession, competition may make it harder to increase the value of services such as subscriptions and the cost of the licence fee supporting the BBC. Consumers may increasingly argue for TV services to be funded entirely by advertising and sponsorship — very weak markets in the early 2000s — and be reluctant to pay for channels while they still pay the licence fee.

SECTION SIX

HOME LISTENING

6. Home Listening

INTRODUCTION

This section follows the structure of Section Five — Home Viewing — in that it examines both the ‘hardware’ and the ‘software’ of in-home audio. The distinct markets that make up the home listening market are:

- consumer spending on audio equipment, ranging from small portable radios up to expensive hi-fi systems
- the recorded music market — CD, cassette (or MC [musicassette]), and vinyl records, as well as blank cassettes for consumer recording
- radio broadcasting which, like most television broadcasting, is financed only indirectly by consumers through the licence fee (funding the BBC stations) and through advertising on commercial radio.

KEY TRENDS

Home listening, or the audio market, is in the middle of a mature phase in which rapid growth is difficult to achieve.

For recorded music, CD technology has reached maturity — that is, high household penetration — and its main successor, DVD (digital versatile disc), tempts consumers to watch movies on home cinemas (with superior sound) rather than listen to music. Keen record collectors are being tempted to download recordings from the Internet for free (using recordable CDs), or listen to music as a part of multimedia PC usage, and ignoring their hi-fi systems. Musicians and marketers are split into two camps on whether MP3 is good or bad for the future of music production.

The companies supplying recorded music are more concentrated than ever among global majors, which dominated the release of mainstream music. Minority tastes are served, as ever, by an innovative, albeit highly fragmented, tranche of independent labels.

For radio broadcasters, deregulation has continued to spark interest, with digital radio also attracting attention as the next leap forward. However, a more immediate problem for commercial radio is the ‘advertising recession’ in 2001. For the BBC, the debate over public funding continues to drift on as a political issue, influencing the management policies of the BBC radio stations. Home listening is generally more conservative than home viewing, and changes to radio station ‘content’ are considered more important than the technology.

An underlying trend in recorded music has been consolidation into global groups, although the creative input of smaller record labels is always vital for new artistes and trends.

MARKET SIZE

Audio Equipment

The last major technological breakthrough to affect consumer audio was the CD player, which is now incorporated in all hi-fi systems and most portable systems (radio/cassette/CD), and has taken over from the cassette player in personal stereos. Although digital radio broadcasting and MP3 players are the products of the future, the market figures reveal a stable audio market with a tendency to decline gradually in value, largely as a result of keen price competition on similar products.

	1996	1997	1998	1999	2000
Audio systems	558	520	520	525	520
Audio separates	216	227	236	225	230
Portable radio/cassette/CD	170	175	160	155	150
Personal CD or cassette	123	121	121	135	125
Total	1,067	1,043	1,037	1,040	1,025
<i>% change year-on-year</i>	-	-2.2	-0.6	0.3	-1.4
<i>Source:Key Note</i>					

For a household's main music system, the market remains split around 70:30 between the convenient audio package (micro, mini, midi or true hi-fi systems) and the purchasing of separates, which hi-fi enthusiasts prefer for their superior sound and flexibility (i.e. the interchangeable components from manufacturers with a good specialist reputation in each type of equipment). Portable and personal equipment totalled £275m in 2000, slightly more than the separates market but much less than the £520m systems market.

Recorded Music

The British Phonographic Industry (BPI) produces extensive market data on music buying, including trade deliveries for the various formats (CD albums, singles, etc.) in volume and value. Translated to consumer spending (at retail prices), the recorded music market reached a new peak of £1.95bn in 2000. ('Music' is used for shorthand; the minor sales of the spoken word are also included in the consumer market value.)

	1996	1997	1998	1999	2000
Albums	957	919	997	995	1,049
Singles	120	140	124	138	121
Total	1,077	1,059	1,121	1,133	1,170
<i>% change year-on-year</i>	-	-1.7	5.9	1.1	3.3
Consumer market [†]	1,744	1,793	1,865	1,890	1,950
<i>† — at retail selling prices; includes all recorded formats</i>					
<i>Note: figures for albums and singles are at wholesale prices</i>					
<i>Source: British Phonographic Industry/Key Note</i>					

The BPI's trade delivery statistics have shown the long-term shift in formats over many years, with the singles market fluctuating in value (at £121m, 2000 was a poor year). The albums market, in contrast, has been fairly steady, at between £900m and £1bn. The albums market did undergo strong growth in 2000, reaching £1.05bn.

By format, albums on cassette and LP (long player) have withered away, and Sony's MiniDisc format (for prerecorded music) has not been a success, meaning that CDs accounted for 95% of album sales in 2000 (compared to 82% in 1996).

Pop and rock dominate the sales figures for albums, but the strongest growth category in recent years has been dance music, which itself fragments into sub-categories such as house, trance and UK garage. Dance is singles-dominated but dance album compilations have become a major category. The album charts features mainly a three-way mix of compilations, new albums and 'greatest hits', the latter being driven by older consumers replacing their vinyl or cassette versions with CD versions.

Radio Funding

The BBC stations that dominate national radio are funded through licence fee income, although the money raised (over £2bn a year) comes from owners of TV sets, and not radios. Commercial radio is funded mainly by advertising revenue and programme sponsorships.

Radio advertising revenue reached £543m in 2000, according to the Advertising Association, representing only 4.5% of total UK advertising. However, this share has risen from 3.5% in 1996.

INDUSTRY STRUCTURE

A list of important companies across home listening is given in Table 6.3. It is not intended to be comprehensive (electronics manufacturers are not listed), but it highlights some of the most influential players in the UK market.

Table 6.3: Selected Major Companies in Home Listening by Activity, 2001

Activity	Companies
Audio manufacturing	Sony, Panasonic, Roberts
Broadcasting (national)	BBC, Classic FM (GWR), Virgin Radio, Talk Radio
Broadcasting (local)	Capital, Chrysalis and other independent local radio franchise holders
Broadcasting (offshore)	Atlantic 252
Recording 'majors'	EMI, Sony/CBS, PolyGram, Warner, BMG

Source: Key Note

Audio Equipment Manufacturers

Like other consumer electronics products, the manufacture of audio equipment is dominated by globally-operating Japanese companies, such as Sony, Matsushita (with Panasonic and JVC brands), Hitachi, Toshiba and Aiwa. Cheaper brands and own-label audio are also made mainly in the Far East. The largest European company in the market is Philips of the Netherlands. Smaller UK specialists in top-quality separates and radios include Roberts (radios) and Linn (hi-fi).

Recorded Music

There has been a steady, long-running process of consolidation in the music industry, which is a permanent topic of debate among musicians and in the music press. In fact, small independent record labels are crucial as a breeding ground for new trends and artistes. This is recognised by the majors, which maintain dozens of small, informal labels for signing up new talent, to complement their main output.

Most of the major companies are also subservient to much larger, global media and entertainment groups — a further source of consternation for the 'indie' fan and musician. The dominant global groups, at least for mainstream music, are:

- AOL Time Warner, with a vast spread of media and entertainment interests, including Warner Music
- the Music division of Vivendi, the French media group that acquired the Canadian drinks-to-entertainment conglomerate in 2000, giving it control of both Universal Music and PolyGram
- Sony, the leading consumer electronics manufacturer which also owns Columbia Pictures and CBS
- Bertelsmann, the private German company with global interests in books, magazines and other media, and owner of BMG (including RCA), a music major
- the UK-based multinational EMI Group is now a specialist in music, and has The Beatles' back catalogue and the Virgin label among its assets. (The European Commission [EC] prohibited a planned merger with AOL Time Warner in 2000.)

These companies are profiled in the Major Players analysis. In addition, there are many UK-based record labels, divided broadly between the pioneering independents and the compilation specialists, which often concentrate on direct response advertising on TV (e.g. Telstar).

Radio Broadcasters

The radio structure, like that of television, has been dictated by deregulation, taking the market from one dominated by public service to a more liberal, commercial framework. However, the mature and influential make-up of listenership to the BBC means that traditional values are maintained by several of the national stations — Radio 4 for mostly serious spoken word, Radio 3 for highbrow culture, and Radio 2 for mainstream entertainment.

The first attack on the BBC's monopoly in the 1970s allowed advertising-funded radio to compete at the local level. The Greater London franchise was, and is, by far the most lucrative. The incumbent, Capital Radio, has kept the franchise throughout and, following further deregulation in the 1990s, has been allowed to acquire other local radio franchises. This deregulation also created national commercial stations, of which the most successful has been Classic FM.

Despite the deregulation, BBC Radio's national stations continue to dominate listening in the UK. The share of hours listened taken by these stations, according to the official joint-industry surveys from RAJAR (Radio Joint Audience Research Ltd), is still around 40%, and BBC regional and local stations have a combined 11%, thus giving BBC radio as a whole control of over half the market. Furthermore, the competition is highly fragmented — the national commercial stations (e.g. Classic FM and Virgin) have yet to achieve 10% of the market, and local commercial listening (nearly 40%) is divided across dozens of small stations.

MAJOR PLAYERS

AOL Time Warner

One of the largest media groups in the US, with Publishing, TV, Music and Movie divisions, Time Warner completed its merger with America On-Line (AOL) in 2001. In music, its labels include Warner Bros, WEA and Atlantic, although its market share in the UK has declined over the past 10 years. A planned merger with EMI Group was prohibited by the EC in 2000.

Financial Results

In the 52-week period ending 31st December 1999, Time Warner Ltd achieved a turnover of £408.5m and a pre-tax profit of £19.1m. In the 57-week period ending 31st December 1998, the company recorded a turnover of £388.4m and a pre-tax profit of £18.2m.

BBC

Under its government charter, the BBC provides national and local radio stations and makes its own programmes. Funding is derived from the licence fee payable by all owners of TV sets.

The five national BBC stations are:

- Radio 1: youth programming including cutting-edge pop, rock and dance
- Radio 2: easy listening and light entertainment
- Radio 3: classical music, highbrow culture
- Radio 4: spoken word: news, information, quizzes
- Radio 5 Live: sports and news

Radio 2 is the leader by listenership, with 13% of the national radio audience. Radios 1 and 4 have around 10% each, and the local network of BBC stations has a similar share (10% to 11%).

Capital Radio PLC

Capital Radio PLC is the largest commercial broadcaster in the UK. In addition to the core London franchise, held since 1973, it has 18 other stations including franchises in the Midlands, Wales and the north of England. Capital stations broadcast to nearly 60% of the UK population.

Financial Results

In the year ending 30th September 2000, Capital Radio PLC's turnover increased by 7.6%, to £134.9m. The company made a pre-tax profit of £30.4m, compared to £15.8m in the previous year.

Chrysalis Group PLC

Founded in 1969 as a record company, Chrysalis Group PLC went on to develop into a media group with interests in music, TV and radio. It is now one of the top three radio companies, owning Heart, Galaxy, Faze and other local stations.

Financial Results

Chrysalis Group PLC recorded a 27.7% increase in turnover in the year ending 31st August 2000, reaching £162.8m. The company made a pre-tax profit of £956,000, compared to a loss of £5.9m in the previous financial year.

EMAP PLC

Originally a printer but an early investor in local radio, EMAP PLC's major interests are now in magazines. Stations owned by the company include Kiss FM (London), Key (Manchester), the various 'Magic' radio stations, and Radio City (Liverpool).

Financial Results

In the year ending 31st March 2001, turnover for EMAP PLC increased by 4.5%, to £1.15bn. The company made a pre-tax loss of £527m, compared to a profit of £157m in the previous financial year.

EMI Group PLC

Signing The Beatles gave EMI early leadership of the UK market among British companies, and it went on to develop US labels. The company bought the Virgin and Chrysalis labels and catalogues in the 1990s to cement its position. After demerging from the Thorn EMI conglomerate, EMI sought a merger with AOL Time Warner in 2000, which turned out to be unsuccessful.

Financial Results

In the year ending 31st March 2001, EMI Group PLC achieved a 12% increase in turnover, to £2.67bn. Pre-tax profits, however, fell by 34.7%, to £162.8m.

GWR Group PLC

By share of listening, GWR Group PLC is the UK's leading commercial radio broadcasting company. Its flagship is Classic FM — the largest national station — and it has 37 local stations, including Breeze and Mercury. In 2000, GWR bought out the radio interests of Daily Mail and General Trust. The Group also has radio interests in five other European countries and in Australia.

GWR has the controlling share in Digital One, which owns the format and transmission rights to the UK's seven new national digital radio stations.

Financial Results

In the year ending 31st March 2001, turnover for GWR Group PLC increased by 24.4%, to £127.2m. The company made a pre-tax profit of £5.2m, compared to £17.6m in the previous year.

Sony Corporation

Sony is famous for its pioneering in audio over many decades, including the invention of the Walkman (the first personal stereo), joint development of the CD with Philips, and the more recent Mini Disc format.

Sony is now unique among audio manufacturers in that it also has an Entertainment division, which includes the Hollywood studio Columbia Pictures, and Sony Music, based on the CBS record label.

Financial Results

In the year ending 31st March 2000, Sony Music Entertainment (UK) Ltd recorded a turnover of £176.4m, compared to £565.1m in the previous financial year. The company made a pre-tax profit of £1.1m, compared to £11.6m in the previous financial year.

Vivendi

The unusual development of Vivendi started with a French public utility company. In 2000, it bought Seagram, a Canadian drinks and entertainment group, and subsequently sold the Drinks division. The Entertainment division is based around Universal, the Hollywood studio which included MCA — a major US recording label with strengths in country music. Under Seagram, Universal had also acquired the largest European music group, PolyGram. The Universal label has been relaunched.

ADVERTISING

Recorded Music

The complex 'branding' structure of recorded music is reflected in the advertising statistics. In Table 6.4, Key Note has mainly kept record labels separate as distinct brands, although common ownership by a parent company is common. For example, the Virgin Records label (and 'brand') is owned by EMI, which also owns Parlophone. Recordings on all three labels were advertised heavily in the year ending June 2001.

Table 6.4: Main Media Advertising Expenditure by Recorded Music Companies (£000), Year to June 2001

	£000
Virgin	16,967
Warner/WEA	14,426
Telstar	8,353
Polygram/Phonogram/Polydor	7,486
EMI	6,935
Universal	5,492
Sony	3,633
BMG/RCA	3,099
Columbia	2,938
Parlophone	2,661
Mercury	2,074
Ministry of Sound	1,807
Other	35,747
Total	111,618

Source: ACNielsen MMS

The £17m spend on the Virgin label was spread across dozens of releases, but compilations predominated (The Album, Smash Hits, Pepsi Chart, etc.). Similarly, on the EMI label, advertising is concentrated around the Now That's What I Call Music series. Parlophone is used for individual albums — in 2000/2001, strongly advertised artistes were Kylie Minogue, Coldplay and The Beatles.

On the Warner group of labels (Warner Bros, Warner Music and WEA), compilations were also prevalent with individual campaigns of note for Madonna and Burt Bacharach. Artists with a broad demographic appeal, particularly in the 'soft rock' category, are most likely to be heavily advertised.

Radio

The predominantly regional structure of radio means that relatively little is spent on advertising in other media. Capital Radio had the highest advertising expenditure in the year to June 2001. The two main national broadcasters, BBC and Virgin Radio, come next with budgets of just over £2m in 2000/2001. The BBC has recently funded separate advertising campaigns for Radio 2, Radio 5 Live and its digital broadcasts.

Table 6.5: Main Media Advertising Expenditure by Radio Companies (£000), Year to June 2001

	£000
Capital Radio	4,086
Virgin Radio	2,131
BBC Radio	2,086
Heart FM	1,495
Magic	928
Other	6,806
Total	†17,530
<i>† — does not sum due to rounding</i>	
<i>Source: ACNielsen MMS</i>	

BUYING BEHAVIOUR

Audio Equipment

According to Target Group Index (TGI) data, the ownership of portable CD radio cassette recorders has increased from 5.2% of all adults, to 15.8% between 1995 and 2001. The ownership of personal CD players also underwent a considerable increase during this period, from 4.8% of all adults in 1995, to 17.6% in 2001. The ownership of personal cassette/radio cassette players without a CD player was the only category that fell in penetration between 1995 and 2001, from 22.2% to 18.2%.

	1995	2001
Separate hi-fi items	12.5	17.0
Portable CD radio cassette recorder	5.2	15.8
Portable radio cassette recorder	14.4	15.8
Personal CD player	4.8	17.6
Personal cassette/radio cassette (without CD)	22.2	18.2

Source: Target Group Index, © BMRB International Ltd, 1995 and 2001

Recorded Music

A CD album was purchased by 29.3% of all adults in the 12 months preceeding the TGI survey in 2001. In comparison, only 7.2% of adults bought a cassette album, and 1.1% bought an album recorded on vinyl. However, the ownership of albums recorded on cassettes or vinyl is far higher, at 26.2% and 18.8% respectively.

The differences in the purchase of singles are not as marked: 14.7% of adults bought a single recorded onto CD in the 12 months to the 2001 survey, compared with 4.6% for cassette and 1% for vinyl. This trend is also reflected in the ownership of singles: 27.6% of adults owned a single recorded onto CD, compared with 16.5% for cassette and 13.3% for vinyl.

	Own	Bought in Last 12 Months
Albums		
CD	46.9	29.3
Cassette (prerecorded)	26.2	7.2
Vinyl	18.8	1.1
Singles		
CD	27.6	14.7
Cassette (prerecorded)	16.5	4.6
Vinyl	13.3	1.0

Source: Target Group Index, © BMRB International Ltd, 2001

Radio Listening

Like the cinema, radio suffered badly from the introduction of television from the 1950s onwards, and was further damaged by the launch of breakfast TV in the 1980s. Although the BBC stations like Radio 4 and Radio 3 have retained their allegiance among those who demand quality radio, the shift in listening among the general population has produced the following pattern:

- 90% of adults listen to the radio, albeit for very short periods, mainly while getting ready for work or school or while in the car
- the main function of radio for most listeners is to hear news bulletins (including local news), traffic reports and weather forecasts, interspersed with pop music
- the BBC stations have clear demographic targets, related to their programming, and as such their listeners tend to tune in for longer periods than those listening to local radio.

FORECASTS 2001 TO 2005

It is difficult to imagine where rapid growth will come from in home listening in the next few years. Consumers will be investing in new-generation TVs and DVD and TV channel subscriptions over the next few years, with home computing also distracting them from investing in new hi-fi equipment (especially with good sound reproduction available from many multimedia PCs).

The music industry is also coming to terms with 'free music' downloaded from the Internet via MP3, while CD has now reached maturity as a format, and recordable CD is becoming a problem for 'piracy' recordings, as was cassette recording in the 1970s and 1980s.

Table 6.8: The Forecast UK Home Listening Market by Sector by Value (£m at rsp), 2001-2005

	2001	2002	2003	2004	2005
Audio equipment	1,000	1,000	1,050	1,150	1,200
Recorded music	1,900	1,950	2,000	2,100	2,150
Total	2,900	2,950	3,050	3,250	3,350
<i>% change year-on-year</i>	-	1.7	3.4	6.6	3.1
<i>rsp — retail selling prices</i>					
<i>Source:Key Note</i>					

Key Note forecasts very modest growth until 2004, by which time consumers may be reinvesting in new music and audio formats. Digital radio will give the audio market a boost, but receivers are expensive at the start of their cycle and will appeal to a small, keen radio audience in the medium term.

SECTION SEVEN

GAMES

7. Games

INTRODUCTION

Drawing mainly on Key Note's report on *Electronic Games*, this section of the Review examines the market for games based mainly on the proprietary consoles sold by three companies — Sony (PlayStation), Nintendo and Sega. The PlayStation format, now in its second version, is the dominant console used with TV sets, but Nintendo's Game Boy is even more dominant in the smaller market for hand-held (portable) consoles.

Although video games can be seen as part of the toys and games market, in fact they represent a distinct leisure market on their own, appealing to children, teenagers and adults, and having more in common with the media and home computing than with children's toys and games.

Also covered here as a part of family leisure are traditional board games, which are calculated by value to include jigsaw puzzles (mostly made, like board games, with the same materials and printing technologies).

KEY TRENDS

The electronic games market is currently driven by the activities of a handful of globally-operating companies, specifically the manufacturers of the main console systems — Sony PlayStation, Nintendo, Microsoft and Sega. This applies at an international level, not just in the UK, in one of the most 'globalised' of leisure industries. The two main console companies are Japanese, although suppliers of games (and other 'software') are spread across Japan, Europe and the US.

This concentration on three brands — and further concentration on PlayStation, which has over 50% of the UK market — means that the market is volatile, depending on how recently a major console has been launched.

November 2000 brought the European launch of PlayStation 2, the follow-up to the successful PlayStation, with which Sony entered the market for the first time in the mid-1990s. (Nintendo and Sega had previously dominated the market.) The other state-of-the-art consoles are Nintendo's forthcoming Gamecube, and Microsoft's X-box, both due to be launched for Christmas 2001.

In contrast to video games, board games are a long-established household leisure product. Games such as Monopoly, Scrabble and Cluedo date back many decades, while the market is occasionally revived by innovative new games, such as Trivial Pursuit in the late-1980s. Echoing the global situation in console games, the largest toy companies in the world (Hasbro and Mattel, both of which are US companies) have come to control the majority of major British board game brands, such as Waddingtons and Spears.

MARKET SIZE

The market for traditional board games and jigsaw puzzles is obviously one that will struggle to produce dynamic growth unless there is an exceptional breakthrough, such as Trivial Pursuit achieved in the 1980s. Although the games may appear old-fashioned, Christmas always brings renewed interest, particularly in games based on popular TV shows, most notably quiz shows such as *Who Wants To Be A Millionaire?* These mean that the market retains a regular value of around £200m a year, although it has declined gradually since 1998.

In contrast, the video games market is extremely volatile. The market has been reasonably strong in recent years due to the popularity of PlayStation, the launch of PlayStation 2 and of the Colour version of Game Boy, and the excitement being generated by Nintendo's latest console, Gamecube, and the entry of Microsoft with X-box.

**Table 7.1: The UK Games Market by Sector by Value
(£m at rsp), 1996-2000**

	1996	1997	1998	1999	2000
Video games	450	615	850	900	950
Board games/jigsaw puzzles	199	205	210	200	190
Total	649	820	1,060	1,100	1,140
<i>% change year-on-year</i>	-	26.3	29.3	3.8	3.6
<i>rsp — retail selling prices</i>					
<i>Source:Key Note</i>					

While 1998 produced a leap from £615m to £850m for video games, by the second half of 1999, a large section of games consumers were awaiting the launch of PlayStation 2 in 2000. Although the Sony console launch was delayed, and the supply was limited by early production problems, 2000 turned out to be a strong year. According to data from the European Leisure Software Producers Association, sales of leisure software (including PC games) reached 'an all time high in the year 2000', despite downward pressure on prices for all types of games software.

The video games market breaks down into hardware and software. Hardware sales account for around 30% of the market value and software for the remaining 70%, although this ratio will fluctuate depending on major hardware launches (such as PlayStation 2). Hardware comprises consoles and hand-held games (principally the Nintendo Game Boy), together with peripherals and accessories such as additional controllers for multiplayer

gaming. The first few games are usually bought together with the console or hand-held, often bundled into the hardware price, and many consumers content themselves with these games for many months.

Computer games have been excluded from the market value because it is almost impossible to separate their value from that of home PC software generally, although it is estimated that consumers spend £400m directly on games and other leisure software, apart from those supplied with PC systems. Acquisitions of home computers (hardware, peripherals and all software) are valued at over £2bn a year in the UK.

INDUSTRY STRUCTURE

Intense concentration of production means that console games are only made by a small number of companies, led in 2001 by Sony and Nintendo, both based in Japan. (During 2001, Sega of Japan announced its withdrawal from console manufacturing, while Microsoft announced its entry into the market.) The sector is also supplied by a fragmented structure of games inventors, developers, publishers and distributors.

The current period (2001/2002) is one in which industry observers are waiting to see whether PlayStation 2 will be as popular as the original PlayStation. Demand for PlayStation 2 will be affected by the entry of Microsoft, with its dedicated console (X-box) and by the latest Nintendo console (Gamecube). A price cut on the PlayStation 2 was announced for October 2001, bringing the console down from £260 to £199.

The games software sector is fragmented across small, creative developers and publishers with a fairly global spread. The outstanding corporate names include the UK's Eidos PLC; US companies such as Electronic Arts (EA) and GT Interactive, Infogrames of France; and Japan's Namco, as well as the Software divisions of Sony, Nintendo and Sega.

Trade Associations

The **European Leisure Software Producers Association** (ELSPA) was founded in 1989 to establish specific and collective identity for the computer and video games industry. It has over 100 members, including companies concerned with the distribution and publishing of interactive leisure and entertainment software. ELSPA works to promote its members, and to address issues that affect the industry as a whole.

The **British Toy and Hobby Association** (BTHA) was founded in 1944 to represent the interests of British toy manufacturers and raise standards of practice in the industry. The BTHA has 200 members, which combined are responsible for around 95% of the British market for toys and games. The Association represents the industry on a national and international level, addressing issues and commercial problems that could have a profound effect on the toy business.

MAJOR PLAYERS

Three Japanese companies have totally dominated console and hand-held video games since the late 1980s. Sega and Nintendo took the original initiatives, but Sony's PlayStation is now the dominant brand.

The hardware manufacturers have Games divisions of their own, focused on exclusive games (e.g. Sonic the Hedgehog games, a trademark brand of Sega, and Pokémon, for Nintendo's Game Boy).

In board games, concentration is also evident among major brands. The supply structure was altered dramatically in the mid-1990s when the UK's two major companies — Spears and Waddingtons — were acquired by the global toy industry giants based in the US, Mattel and Hasbro respectively.

Eidos PLC

The UK's largest independent video games company, quoted on the Stock Exchange, Eidos PLC is responsible for the popular Tomb Raider series, among many other titles. Tomb Raider's heroine, Lara Croft, was the subject of a Hollywood blockbuster movie released in 2001.

Financial Results

In the year ending 31st March 2001, turnover for Eidos PLC fell by 26.3%, to £143.5m. The company made a pre-tax loss of £96.4m, compared to a pre-tax profit of £49.3m in the previous year.

Hasbro

Second in the world toys market to Mattel, Hasbro Inc. owns a vast range of toy and games brands, many in its MB Games division (e.g. Game of Life, Connect 4, Hungry Hippos and Twister).

In board games, Hasbro has long been represented by the Parker brand and, since 1994, it has owned Waddingtons, the portfolio of which includes Cluedo, Subbuteo, Sorry and Dingbats. (Hasbro only acquired the Games division of the UK printing group John Waddington.) Under the Parker range are Risk and the marketing rights to Trivial Pursuit.

Financial Results

Hasbro U.K. Ltd's turnover increased by 26.1% in the year ending 26th December 1999, to £215.7m. Pre-tax profits, however, fell by 35.9%, to £18.2m.

Mattel

Mattel Inc. rose to prominence in the toys and games market, first in the US and then worldwide, with its Barbie dolls, but spent the 1990s making a series of major acquisitions such as Tyco and Fisher Price. In the UK, Mattel bought

JW Spears & Sons Ltd, the long-established maker of games such as Scrabble and Uno, and a leading jigsaw puzzle maker.

Scrabble is the most important game in the Spears portfolio, produced in many different variations of the original board game (e.g. for children, travel and deluxe versions). Other Spears titles include Atmosfear and Whack Attack.

Financial Results

In the year ending 31st December 1999, turnover for Mattel U.K. Ltd fell by 26.5%, to £96.1m. The company made a pre-tax loss of £29.8m, compared to a loss of £1.5m in the previous year.

Nintendo

Nintendo led the world console game market until the mid-1990s, when its position was usurped by Sony's PlayStation. The original Nintendo Entertainment System (NES) was replaced by the Super Nintendo Entertainment System (SNES), and then by the 64-bit model, the N64, launched in 1997. The 132-bit Gamecube is due for launch in the UK in 2001.

Although Nintendo was outsold by PlayStation (and sometimes in the UK by Sega consoles), its Game Boy has defeated all other major companies in the hand-held market, boosted since the late 1990s by electronic game versions of Pokémon (originally a card-collecting game).

Characters used exclusively for Nintendo games include Super Mario and Donkey Kong.

Sega

Like Nintendo, Sega originated as a conventional toys and games company, dating from the 1950s. Sega became an arcade games operator during the 1960s and eventually the company moved into home consoles, following Nintendo onto the global market. The first system, the Master, trailed behind the NES globally but took leadership in the UK. Subsequent consoles were the Mega Drive, Saturn and eventually the Internet-capable Dreamcast, launched in the UK in 1999.

Like Nintendo, Sega lost out to PlayStation's dominance in the late 1990s. Sega also withdrew from the hand-held market, where it had once competed against Game Boy with its Game Gear. In 2001, there were industry rumours that Sega might quit the hardware (console) sector to concentrate on developing games for other consoles.

Financial Results

In the year ending 29th February 2000, Sega Europe Ltd recorded a turnover of £271.6m, compared to £152.8m achieved in the previous financial year. The company made a pre-tax loss of £12.9m, compared to a loss of £18.1m in the previous year.

Sony Corporation

Sony Corporation is the world's largest manufacturer of consumer electronics, with a long tradition of innovation in home entertainment (Sony Walkman, Compact Disk, Betamax video, and PlayStation video games). The relatively new Game division now contributes a tenth of Sony turnover, whereas Sega and Nintendo are devoted to games.

In the mid-1990s, PlayStation broke up the duopoly of Sega and Nintendo — it became market leader in the UK until it was recently superseded by PlayStation 2.

Over 4,000 games have been made available for PlayStation, either by Sony or by third parties.

Financial Results

In the year ending 31st March 2000, turnover for Sony Computer Entertainment Europe Ltd fell by 1.3%, to £1.7bn. The company made a pre-tax profit of £125.5m — a 4.1% fall from the previous year.

Advertising

In the year to June 2001, advertising for video games was fairly low key, since previous periods had seen the per-launch campaigns for Dreamcast and PlayStation 2. Over £10m was spent advertising PlayStation 2 in 2000, falling to £2.3m in the year to June 2001.

Table 7.2: Main Media Advertising Expenditure on Games (£000), Year to June 2001

	£000
Console Games	
Sony PlayStation [†]	2,263
Sega Dreamcast [†]	238
Board Games	
Waddingtons (Hasbro)	588
Parker Games (Hasbro)	330
Spears Games (Mattel)	310
Horn Abbott (Trival Pursuit)	85
<i>† — includes advertising of games for these consoles as well as the consoles themselves</i>	
<i>Source: ACNielsen MMS</i>	

Direct advertising is less important for the building of global brands like PlayStation than sponsorship and other marketing techniques that reach the console games' fairly narrow target market. However, substantial advertising for the launch of the next Nintendo console and of Microsoft's entry can be expected for 2001/2002.

In board games, 2000/2001 saw specific advertising campaigns for a number of traditional favourites, such as Twister (MB Games) and Parker Games' Mastermind and Pictionary.

BUYING BEHAVIOUR

According to the annual Target Group Index (TGI) survey, a third of adults now say they 'ever buy' video games, up from less than a quarter of them in 1995. Consoles find their way into more UK households every year, although the media impression of video games being children's toys is false: regular games buyers can be in their 20s or even 30s. The subject matter ranges from children's characters, such as the popular Pokémon series for the Game Boy, through sports games to action, driving and other themes with a mainly male appeal.

Buying of board games has been declining as attention switches to electronic entertainment in the home. However, over a third of adults still buy them, with purchasing peaking in the family age groups (over 50% of 35 to 44 year-olds).

FORECASTS 2001 TO 2005

For video games, Key Note's 2001 market forecast assumes that the year will be a bumper year, with PlayStation 2 in full supply and with at least one major new launch, possibly two, in time for Christmas.

The buoyancy should continue into 2002, with these new technologies on the market and the number of available games building up. Thereafter, an inevitable fallow period has to be predicted, awaiting the next technological or marketing development. However, the European Leisure Software Producers Association claims that 'the peaks and troughs that used to be associated with the introduction of new games hardware are well and truly behind us'.

The board games market is likely to remain at a fairly steady level as long as TV programmes inspire new games for Christmas family gifts. The long-running titles will continue to underpin the market value.

**Table 7.3: The Forecast UK Games Market by Sector by Value
(£m at rsp), 2001-2005**

	2001	2002	2003	2004	2005
Video games	950	1,200	1,250	1,200	1,350
Board games/jigsaw puzzles	200	210	215	200	190
Total	1,150	1,410	1,465	1,400	1,540
<i>% change year-on-year</i>	<i>0.9</i>	<i>22.6</i>	<i>3.9</i>	<i>-4.4</i>	<i>10.0</i>
<i>rsp — retail selling prices</i>					
<i>Source:Key Note</i>					

SECTION EIGHT

DIY AND GARDENING

8. DIY and Gardening

INTRODUCTION

While DIY and gardening may be seen as chores rather than recreation by many people, many also treat either or both as enjoyable activities, hence the inclusions of this section in the Review.

Gardening is easier to classify as a leisure activity than DIY, since many inessential tasks make up the market, not necessarily adding to the value or practicality of a residential property, as is the case with most DIY. Gardening involves a vast array of products, in the following broad categories:

- green goods — plants, bulbs, seeds, fertilisers, compost and chemicals
- electrical appliances (e.g. lawnmowers), tools and other hardware
- buildings — greenhouses, conservatories, sheds and play houses
- furniture and barbeque equipment
- accessories such as hoses, ties and pots.

DIY is equally diverse, with the products dividing broadly into the following:

- decorating — paint, wall coverings, paint removal substances, etc.
- improvement products — windows, doors, shelving, cupboards and self-assembly furniture
- appliances, tools and hardware — ladders, power tools, hand tools, benches, etc.
- building products — includes sand, cement, bricks and timber
- plumbing and electrical wiring goods.

It can be argued that decorating and hand-making shelves or furniture are more in the recreational category than plumbing jobs or wiring, but the basic household maintenance tasks also need to be completed in order to enjoy the 'softer' DIY tasks. Similarly, in the garden, the emphasis has moved away from the practical kitchen garden to the leisure-oriented outdoor space.

One of the motivations for DIY and gardening is to make the home attractive for visitors, and this underlines the role of these activities as part of the broadly defined leisure sector.

KEY TRENDS

The rising value of residential property has continued to make DIY and gardening attractive for home owners, and the term 'home improvement' is now widely used to include both activities. Since the mid-1990s, television programmes on this subject have proliferated and have been very popular. Such programmes include *Changing Rooms* and *Groundforce*, which emphasise the fun of complete 'make-overs' of rooms and gardens.

The higher aspirations of the consumer show up in both DIY and gardening as living standards improve. There have been trends to higher quality furnishings and exotic plants, and many gardens have been transformed by the installation of ponds, timber decking and other features that extend the use of the garden; for example, for having barbecues to entertain guests. For home furnishings, IKEA, the Swedish multinational, has had a major impact on raising expectations among UK consumers.

Consolidation has taken place in retailing for the sector, with the chains of DIY superstores, or 'sheds', and multiple garden centres taking over from hardware shops and retail nurseries. The early 2000s saw the merger of Focus, Do It All, Wickes and Great Mills — formerly four separate forces in DIY — into a single company to challenge the market leaders, B&Q and Homebase, while the two largest multiple garden centres (Wyevale and Country Gardens) were merged in 2001 to form a clear market leader.

One reason for consolidation is that prices have become extremely competitive in home improvement, fuelled by cheap imports, or by the activities of companies that operate on a value-for-money platform, such as IKEA.

MARKET SIZE

The data in Table 8.1, drawn from official statistics on household spending, adopts a broad definition of DIY goods, and includes items such as kitchen furniture and hardware for the household (including garden tools), as well as decorating products, for example, which are obviously central to DIY.

In contrast, the gardening goods category is relatively narrow, excluding items such as garden tools, garden buildings and garden furniture. Nevertheless, the overall market value — £11.95bn in 2000 — together with the 5-year trend is believed to reflect the strong growth of the home improvement market since the mid-1990s.

	1996	1997	1998	1999	2000
DIY goods	5,823	6,814	7,588	8,218	8,800
Gardening goods [†]	2,132	2,379	2,529	2,912	3,150
Total	7,955	9,193	10,117	11,130	11,950
<i>% change year-on-year</i>	-	15.6	10.0	10.0	7.4
<i>rsp — retail selling prices</i>					
<i>† — government consumer spending figures for horticultural goods</i>					
<i>Source: National Statistics/Key Note</i>					

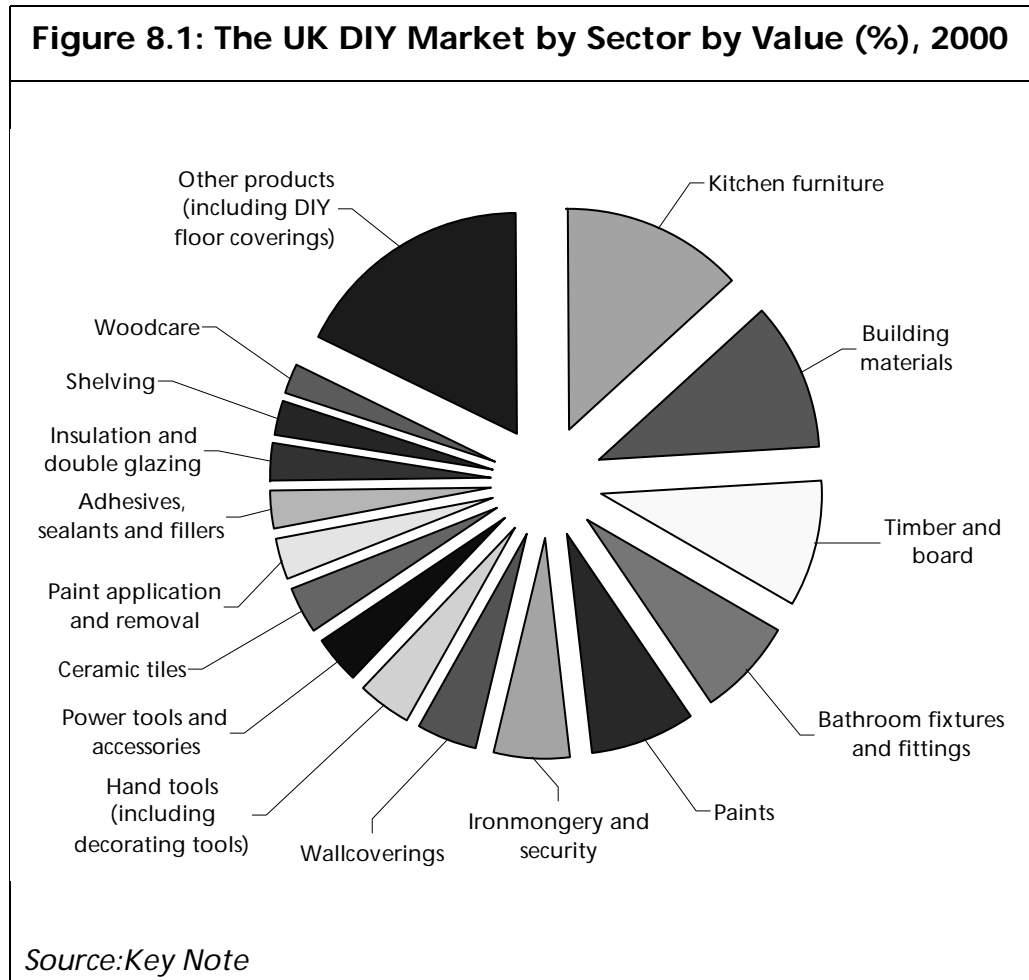
The share of total consumer spending taken by DIY and gardening has risen from 1.8% to 2% over the past 5 years, despite a slowdown in 2000 as consumer confidence finally started to wane. Throughout the late 1990s, growth was in double figures, reflecting a number of factors in the market, including:

- the rise in house prices and consumer confidence (low unemployment and higher disposable income)
- the expansion of DIY superstores and larger garden centres
- interest in home improvement, stimulated by the 'make-over' TV programmes
- the steady increase in more affluent middle-aged and recently-retired householders, who spend considerable amounts on home improvement and gardens.

DIY Market

The market for DIY equipment could be defined more narrowly to exclude furniture and floor coverings that are installed by households rather than tradespeople, but this would take away one of the main motivations of home improvement. Installing a new kitchen oneself can offer the largest savings on using contractor services, and flat-pack kitchen furniture is the single largest item in the DIY market. The bathroom is the second most likely room for major DIY 'project' activity, producing a market worth £650m of fixtures and fittings.

Table 8.2: The UK DIY Market by Sector by Value (£m at rsp and %), 2000		
	Value (£m)	% of Total
Kitchen furniture (flat-pack)	1,175	13.4
Building materials	950	10.8
Timber and board	800	9.1
Bathroom fixtures and fittings	650	7.4
Paints	650	7.4
Ironmongery and security	500	5.7
Wallcoverings	375	4.3
Hand tools (including decorating tools)	330	3.8
Power tools and accessories	325	3.7
Ceramic tiles	300	3.4
Paint application and removal [†]	275	3.1
Adhesives, sealants and fillers	250	2.8
Insulation and double glazing	250	2.8
Shelving	200	2.3
Woodcare	200	2.3
Other products (including DIY floor coverings)	1,570	17.8
Total	8,800	£100.0
<i>rsp — retail selling prices</i>		
<i>† — brushes and rollers, strippers, white spirit, etc., sandpaper and other abrasives</i>		
<i>‡ — does not sum due to rounding</i>		
<i>Source:Key Note</i>		



Most of the other DIY categories are broader than kitchen or bathroom furniture, taking in dozens of different products. For example, the building materials category (valued at £950m in 2000) includes sand and cement (separate and premixed), plaster, and the various types of bricks and paving; timber and board form a separate sector.

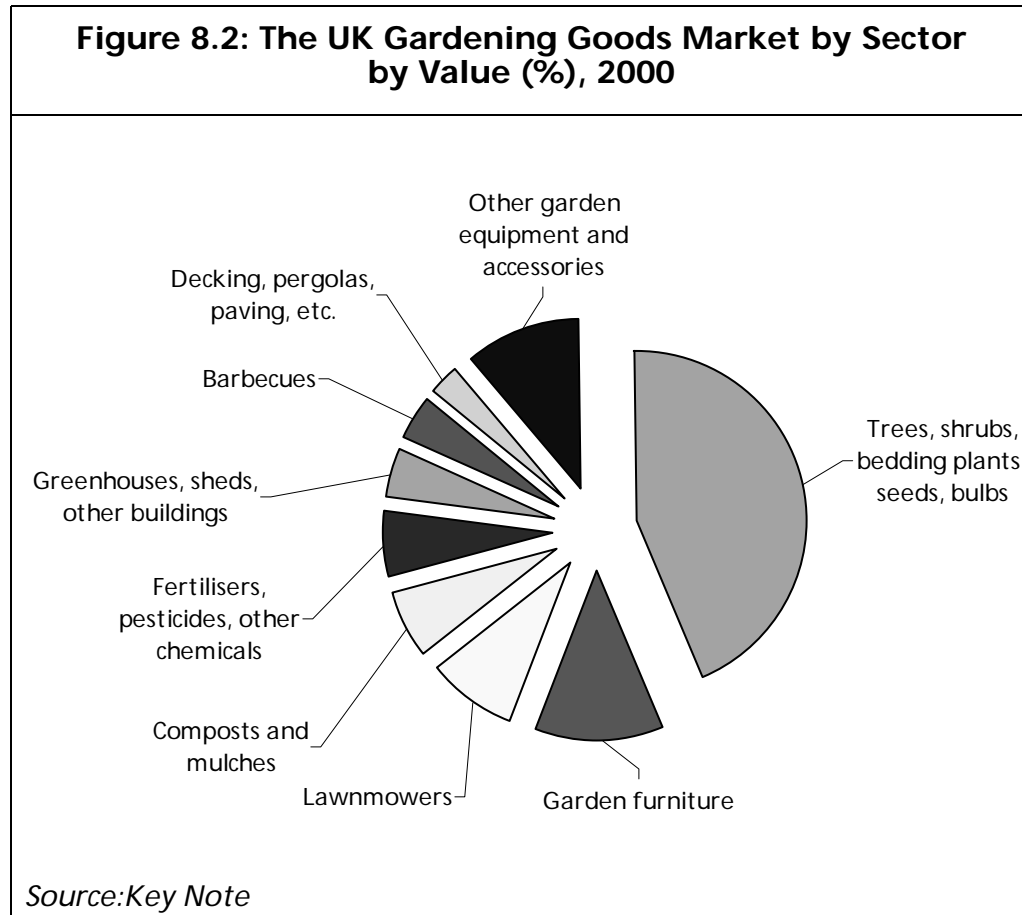
Decorative products can be grouped together to indicate the market among those whose DIY does not extend to actual construction projects. In 2000, consumers spent £1.6bn on paints and painting equipment, wallpaper and tiles.

Gardening Market

Like DIY, gardening as a hobby produces an extremely diverse market, ranging across thousands of types of plants and aids for growing as well as dozens of 'inanimate' product ranges. Nevertheless, consumers continue to spend more on 'green goods' than on any other category, despite the popularity of turning gardens into 'designed' areas for entertaining friends and other leisure activities. An estimated total of £1.38bn was spent on green goods in 2000, including both indoor and outdoor plants.

Table 8.3: The UK Gardening Goods Market by Sector by Value (£m at rsp and %), 2000

	Value (£m)	% of Total
Trees, shrubs, bedding plants, seeds, bulbs	1,375	43.7
Garden furniture	375	11.9
Lawnmowers	275	8.7
Composts and mulches	200	6.3
Fertilisers, pesticides, other chemicals	200	6.3
Greenhouses, sheds, other buildings	150	4.8
Barbecues	125	4.0
Decking, pergolas, paving, etc.	100	3.2
Other garden equipment and accessories	350	11.1
Total	3,150	100.0
<i>rsp — retail selling prices</i>		
<i>Source: Key Note</i>		



The decorative side of gardening has contributed most to the growth in expenditure on horticultural goods, with popular products including decking and paving, barbecue sets and furniture. Consumers are also investing in more expensive major items, such as garden buildings (e.g. summer houses). Naturally, this produces overall market growth, despite static or falling prices on some traditional gardening products (e.g. bedding plants, hand tools).

INDUSTRY STRUCTURE

The driving force behind DIY and gardening as leisure activities has undoubtedly come from multiple retailers since the 1980s.

The DIY 'sheds' were once unsophisticated outlets with warehouse buildings and simple outdoor areas, but they have evolved into much more attractive shopping 'destinations', offering wide ranges of household and leisure goods as well as all the hardware for maintaining and improving the home. Garden centres have progressed even further, adding cafés, gift shops and displays of plants to transform themselves fully into leisure attractions.

The DIY superstores and garden centres are mainly sited within edge-of-town shopping centres, and this encourages impulse visits and purchases by people doing their weekly shopping at the adjacent grocery superstore.

Manufactured brands for both DIY and gardening therefore have to compete with formidable ranges of own-label products in the superstores and garden centres. To reduce their cost bases, many manufacturers have had to source their production abroad, and outright ownership by foreign multinationals is common. Foreign companies have been important for many years in the UK, including major players in:

- power tools (for home or garden), such as Black & Decker (US) and Bosch (Germany)
- hand tools, through Stanley (US), Neil Tools (US) and Wilkinson Sword (Fiskars, Finland)
- garden chemicals, where The Scott's Company (US) is the leading owner.

Despite the presence of some major names, the immense fragmentation of both DIY and gardening product ranges has made it difficult for manufacturers to develop economies of scale at the level available to the major multiples. Production is fragmented by the need for specialist expertise, different materials and by import penetration.

Trade Associations

DIY is fragmented in manufacturing terms, without a single representative body, but the most important retail groupings are the **Federation of Multiple DIY Retailers** and the **British Hardware Federation**.

There are numerous organisations to represent the specialist branches of horticulture. The leading umbrella organisation is the **Horticultural Trades Association**.

MAJOR PLAYERS

Manufacturers

Some of the major players in manufacturing are listed in Table 8.4, although it is impossible for such a listing to be comprehensive, given that the market is highly fragmented.

Table 8.4: Selected Leading DIY and Gardening Manufacturers and Brands, 2001

Company	Brands
<u>Power Tools/Power Garden Equipment</u>	
Black & Decker (US)	Black & Decker, Workmate
Robert Bosch (Germany)	Bosch, Qualcast, Atco
Electrolux (Sweden)	Flymo, Husqvarna, McCulloch
<u>Hand Tools (DIY or Garden)</u>	
Draper Tools	Draper
Stanley (US)	Stanley
US Industries (US)	Spear & Jackson, Neill
American Tool (US)	Record, Bulldog
Fiskars (Finland)	Wilkinson Sword
<u>Decorative Products</u>	
Akzo Nobel (Netherlands)	Crown, Sandtex (paint), Sadolin (woodcare), Anaglypta, Lincrusta (wall coverings)
ICI	Dulux, Cuprinol, Hammerite (paints)
Kalon (France)	Leyland, Johnstones, Mander (paints)
Imperial Home Decor	Crown (wallcoverings)
Englewood	Vymura, Coloroll (wallcoverings)
Forbo (Switzerland)	Kingfisher (wallcoverings)
Norcros	H&R Johnson (tiles)
Pilkington's Tiles	Pilkington
<i>Table continued overleaf...</i>	

Table 8.4: Selected Leading DIY and Gardening Manufacturers and Brands, 2001

...table continued from previous page

Other DIY Products

Sherwin Williams (US)	Ronseal, Thompsons (waterproofing)
Henkel (Germany)	Unibond, Loctite (adhesives)
ICI	Polyfilla (fillers, adhesives)
Newmond	Rawlplug fixings
Newell Rubbermaid	Swish, Harrison Drape (curtain fixings), Spur (shelving)
Robimatic	Robimatic, Oracstar (plumbing)

Other Gardening Products

The Scotts Company (US)	Levington, Miracle-Gro, Shamrock (chemicals and composts)
Bayer (Germany)	Bio, Phostrogen (pbi Home & Garden) (chemicals and composts)
Hozelock	Hozelock (watering equipment)

Source:Key Note

Akzo Nobel Coatings Ltd/Akzo Nobel Decorative Coatings Ltd

Dutch company Akzo Nobel NV is a chemical and coatings giant, and owns a wide variety of leading brands in the UK DIY market, including Crown and Sandtex paints, and Anaglypta wallcoverings. Akzo Nobel Coatings Ltd and Akzo Nobel Decorative Coatings Ltd are UK subsidiaries of Akzo Nobel NV, and are engaged in the manufacture of paint.

• Financial Results

In the year ending 31st December 1999, Akzo Nobel Coatings Ltd recorded a 3.3% increase in turnover, to £16.6m. Pre-tax profits for the company increased by 17.2%, to £2.5m.

In the year ending 31st December 2000, Akzo Nobel Decorative Coatings Ltd recorded an 8.1% fall in turnover, to £203.4m. The company made a pre-tax profit of £7m — a 30% fall from the previous year's figure.

Black & Decker International

Black & Decker International is a UK-based subsidiary of the US multinational Black & Decker Corporation, which produces the leading ranges of power tools for DIY. Black and Decker is also famous for its Workmate workbenches.

- ***Financial Results***

Black and Decker International's turnover fell by 10% in the year ending 31st March 1998, to £513.4m. The company made a pre-tax profit of £11.9m, compared to £47.5m in the previous financial year.

Electrolux Outdoor Products Ltd

Electrolux Outdoor Products Ltd is a UK-based company, and is best-known for its Flymo range — the leading lawnmower brand. The company also makes other power garden equipment (Flymo, McCulloch and Husqvarna). The Swedish parent company is one of Europe's largest electrical appliance manufacturers.

- ***Financial Results***

In the year ending 31st December 2000, turnover for Electrolux Outdoor Products Ltd increased by 10.4%, to reach £131.5m. The company made a pre-tax profit of £3.7m, compared to a pre-tax loss of £2.2m in the previous year.

Hozelock Ltd

Hozelock is the dominant brand in watering products for the garden in the UK (hoses, reels, sprinklers, etc.). The company also has water garden products (e.g. ponds) and a subsidiary in France. Formerly the only quoted garden products manufacturer, the company is now in private ownership.

- ***Financial Results***

In the year ending 30th September 2000, Hozelock Ltd recorded a turnover of £58.1m and a pre-tax profit of £7.4m. In comparison, in the 53-week period ending 2nd October 1999, the company recorded a turnover of £56.9m and a pre-tax profit of £6.6m.

Imperial Chemical Industries PLC

Imperial Chemical Industries PLC (ICI) is the UK's largest chemical company. It produces a wide range of paints for the household market, including the brand leader, Dulux, and other essential DIY products, such as the Polyfilla range of decorating products and Hammerite protective paint.

ICI is no longer involved in garden chemicals, but Cuprinol — producer of the Garden Shades range of paint — is owned by the group.

- **Financial Results**

In the year ending 31st December 2000, Imperial Chemical Industries PLC's turnover fell by 8.3%, to £7.75bn. The company made a pre-tax loss of £87m, compared to a pre-tax profit of £503m recorded for the previous year.

Newell Rubbermaid

Newell Rubbermaid produces a wide range of housewares and decorative products, including Rubbermaid rubber gloves, Swish curtain rails, Spur Shelving, Douglas Kane, Homelux and Harrison Drape.

- **Financial Results**

In the 52-week period ending 31st December 1999, Newell Ltd recorded a turnover of £126m, and a pre-tax loss of £5.1m. In comparison, in the 57-week period ending 31st December 1998, the company recorded a turnover of £56.9m and a pre-tax loss of £117,000.

Robert Bosch Ltd

Robert Bosch GmbH is Europe's leading power tool manufacturer. In the UK, it competes against Black & Decker and Flymo in both the DIY and gardening power tools market, partly through the Bosch brand and also through its gardening subsidiary Atco-Qualcast, a major lawnmower manufacturer.

- **Financial Results**

Robert Bosch Ltd's turnover for the year ending 31st December 1999 reached £414.4m — an increase of 8% from the previous turnover figure. The company's pre-tax profit fell by 6.6%, to £27.8m.

Retailers

Retailing is also fragmented in that there are probably over 10,000 outlets selling some types of DIY and gardening products across the UK. However, market share has been concentrated among the top multiples for many years, and a further process of consolidation took place around the turn of the decade:

- J Sainsbury acquired Texas Homecare and merged it with its Homebase chain
- The Boots Company merged its two DIY subsidiaries to create Focus Do It All, which gained its independence before acquiring Wickes and Great Mills, two other top ten DIY retailers.
- The two largest garden centre multiples came together into one group in 2001, following Wyevale's acquisition of Country Gardens.

The leading companies owning these multiples are now specialists in their field, whereas ownership by retail conglomerates was more typical in the 1980s and early 1990s. Homebase, formerly part of J Sainsbury PLC, is now independent, as is Focus Do It All. Kingfisher, parent company of B&Q, has disposed of some non-core businesses.

Table 8.5: Selected Leading DIY and Gardening Retailers by Number of Stores, 2001

	Number of Stores
DIY Superstores/Hardware shops	
Focus Do It All	436
B&Q (part of Kingfisher)	300
Homebase	295
Wilkinson Hardware Stores	160
Topps Tiles	140
Robert Dyas	68
Garden Centres	
Wyevale	120

Source: Key Note

B&Q PLC

By turnover, B&Q PLC is still the UK's largest DIY and gardening goods retailer, although at the time this Review was published (October 2001), Focus Group had more outlets. B&Q is a subsidiary of Kingfisher PLC, which also owns Woolworth (variety stores that also sell gardening goods) and Comet (electrical appliances), and electrical stores in France. Kingfisher is expanding abroad, having bought a leading DIY retailer in Poland.

• Financial Results

In the 53-week period ending 3rd February 2001, B&Q PLC achieved a turnover of £2.6bn and a pre-tax profit of £221.2m. In the 52-week period ending 29th January 2000, the company recorded a turnover of £2.24bn and a pre-tax profit of £208.6m.

Focus Group Ltd

Originally created through the merger of Focus DIY and Do It All, under the ownership of The Boots Company PLC, Focus Group Ltd gained its independence in 1999, and expanded rapidly through acquisition in 2000 and 2001. It bought the Wickes and Great Mills chains (numbering 131 and 95 stores respectively) to add to its existing 200 stores, trading either as Focus or Do It All. Some site disposals may take place, but acquisition gives the Group a cross-section of both 'heavy DIY' and 'soft, decorative' retail outlets.

- ***Financial Results***

In the year ending 29th October 2000, Focus Group Ltd achieved a 15.9% increase in turnover, to £537.1m. The company made a pre-tax profit of £25.7m — a 42% increase over the previous year. The company was known as Focus Do It All Group Ltd until 7th June 2001.

Homebase Ltd

One of the original pioneers in DIY superstores, Homebase was set up and owned for much of its history by J Sainsbury. Expansion took place through the purchase of the Texas Homecare outlets, which were rebranded as Homebase.

In December 2000, Sainsbury's sold its chain of Homebase stores to venture capitalist Schroder Ventures. A further 28 sites that were intended for new Homebase stores were sold to Kingfisher.

- ***Financial Results***

In the 52-week period ending 1st April 2000, Homebase Ltd achieved a turnover of £1.2bn and a pre-tax profit of £5.4m. In the 56 weeks to 3rd April 1999, the company made a turnover of £1.19bn and a pre-tax profit of £44.6m.

Topps Tiles PLC

Founded in 1983, Topps Tiles PLC expanded rapidly during the late 1990s, following a public flotation, and, at the time this Review was published (October 2001), had 140 shops specialising in selling tiles for the DIY and professional markets. A further 20 sites are planned.

- ***Financial Results***

Topps Tiles PLC recorded a turnover of £74.6m in the year ending 2nd June 2001, and a pre-tax profit of £9.4m. In the 53-week period to 3rd June 2000, the company achieved a turnover of £62.6m and a pre-tax profit of £8m.

Wyevale Garden Centres PLC

Wyevale Garden Centres PLC has been the largest garden centre chain in the UK for many years. The purchase of Country Gardens — the number two for many years — in 2001 has produced a group with nearly ten times more

outlets than its competitors. Wyevale is believed to be interested in acquiring more independent garden centres.

• **Financial Results**

Turnover for Wyevale Garden Centres PLC increased by 13.9%, to £108.5m, in the year ending 31st December 2000. Pre-tax profits, however, fell by 8.9%, to £13.2m.

Advertising

Main media advertising expenditure on DIY and gardening is dominated by retailers rather than manufacturers. In the year ending June 2001, B&Q spent £29m on main media advertising, and Homebase spent almost £20m. In comparison, only £14.7m was spent advertising garden products.

Table 8.6: Main Media Advertising Expenditure on DIY and Gardening Products and by DIY Retailers (£000), Year to June 2001

	£000
DIY Products	
Paints	8,511
Power tools	5,893
Wood preservatives	4,240
Wallpaper	1,218
Adhesives	388
Other DIY products	5,702
Total	25,952
Gardening Products	
Chemicals and compost	4,584
Lawnmowers	3,238
Furniture and ornaments	2,904
Sheds, greenhouses, other buildings	1,117
Seeds, bulbs, plants	468
Other gardening products	2,370
Total	14,681

Table continued overleaf...

Table 8.6: Main Media Advertising Expenditure on DIY and Gardening Products and by DIY Retailers (£000), Year to June 2001

...table continued from previous page

DIY Retailers

B&Q	29,049
Homebase	19,927
Magnet	6,432
Wickes [†]	5,085
Focus Do It All [‡]	4,838
Tiles R Us	2,493
Other	7,666

Total **£75,487**

† — Wickes acquired by Focus Do It All during year

‡ — does not sum due to rounding

Source:ACNielsen MMS

Among DIY products, advertising is most pronounced for paints and other decorative products. Power tools are also advertised heavily, both for DIY and the garden (particularly lawnmowers, where an annual advertising battle takes place between the top three brands).

BUYING BEHAVIOUR

DIY Participation

DIY has been a very popular leisure activity since the 1980s, when home ownership in the UK increased dramatically. Participation in DIY reached a penetration level of 68% of adults by 1990. However, the slowdown in the housing market in the early 1990s reduced the level of participation (to 63% by 1996). Although there has been a considerable upturn in the housing market in some parts of the UK since then, DIY as a hobby now retains a narrower base, with overall participation down to almost 62% by 2001.

Not surprisingly, Target Group Index (TGI) finds that the simplest and safest jobs are undertaken by the highest number of participants, with 'project' work restricted to the real enthusiasts. For example, the 2001 TGI survey shows that 52.3% of adults carried out internal painting, compared to only 10.6% who stripped paint or varnish from furniture. (TGI also lists other activities with even lower penetration, under 10%, such as exterior painting or re-glazing windows.

	1996	2001
Painting inside	53.1	52.3
Putting up wallpaper	35.0	28.3
Putting up shelves	22.1	22.6
Painting outside windows/doors, etc.	21.5	16.4
Making and putting up cupboards	11.6	11.7
Stripping paint/varnish from furniture	10.6	10.6
Laying a garden patio	7.2	6.3
Building an ornamental pond	2.5	2.6
Other ornamental garden features	4.8	4.6

Source: Target Group Index (TGI), © BMRB International Ltd, 1996, 2001

Participation in some activities may decline or increase with home fashions. For example, fashion may have affected wallpaper hanging adversely — painted walls are currently more fashionable than wallpaper — whereas garden projects are increasingly popular (e.g. laying decking). However, changes in fashions should not be over-exaggerated in this fairly stable market, as the bottom three entries in Table 8.7 — laying a garden patio, building an ornamental pond, and other ornamental garden features — indicate.

Gardening Participation

According to TGI, the proportion of adults claiming to own a garden, or to have access to one, has been declining gradually for many years, and fell from 83.9% in 1996 to 81.6% by 2001. (TGI also measures allotment ownership; as might be expected, this has also declined, reaching 1.7% in 2001, from 2.2% 5 years previously.)

Another key factor in gardening participation is the smaller size of the average garden, resulting from smaller households, the division of houses into flats, and the use of former garden areas for non-gardening purposes (e.g. parking spaces). The change is only a very gradual one — ownership of gardens larger than 2,000 sq ft is down to 24.7% in 2001 from 25.7% in 1994 — but the average garden has been shrinking for many years.

The proportion of adults buying plants, seeds, fertilisers, and other traditional products is another area of decline. One of the worst declines between 1996 and 2001 was experience by fertilisers, the penetration of which fell from 38.6% to 32.7%, although the practice of growing plants from packet seed is declining even more sharply, from 38.7% to 31% in the same period.

Table 8.8: The Purchase of Garden Products in the Past 12 Months (% of adults), 1996 and 2001

	1996	2001
Plants, trees and shrubs	43.8	42.8
Bulbs	38.3	35.9
Seeds	38.7	31.0
Fertilisers	38.6	32.7
Weedkillers	34.7	33.3

Source: Target Group Index (TGI), © BMRB International Ltd, 1996, 2001

In terms of consumer spending growth, the enthusiasm of gardeners compensates for the negative ownership trends. Average spending on the garden has increased with more consumers investing in ornamental and practical leisure products for the garden in order to use it as an 'outdoor room', or as an extension of the home.

In contrast to the declines in traditional gardening (e.g. growing plants from seeds and bulbs), shopping in garden centres is very popular, although the bias is towards buying ready-grown plants and decorative items. According to TGI, the proportion of regular visitors to garden centres came to 65% in 2001, and this easily exceeds the apparent number of traditional gardeners (the 31% who buy seeds). Garden centres have clearly moved into the mainstream of leisure shopping, offering a pleasant place to visit in the spring and summer, even for those with a minimal interest in gardening.

Sources of Advice

A survey conducted by BMRB Access for Key Note in June 2001 asked respondents what sources of advice they used when carrying out DIY and home improvements.

**Table 8.9: Preferred Sources of Advice for DIY
(% of adults, men and women), 2001**

Question: "Which, if any, of the following have you found helpful when you want advice on DIY or home improvement?"

	All	Men	Women
Family	54	50	58
Instructions on packs	51	57	47
Television programmes	47	46	48
Leaflets from DIY stores	47	46	48
Advice in DIY superstores	42	41	43
Advice in local DIY stores	44	42	46
Friends or neighbours	44	46	42
DIY manuals	40	46	34
DIY and home magazines	27	26	27
No DIY done in last 12 months	11	6	15

Base: 1,019 adults

Source: BMRB/Key Note

The most likely source of advice for DIY projects is another member of the same family, and television programmes have moved to become a very important channel for information. Also useful for many DIYers are the free leaflets available at superstores. Overall, a wide range of sources is consulted before undertaking DIY.

Men are most likely to use traditional sources of information — on-pack instructions and manuals — while women rely more on advice from family members, television programmes and stores.

FORECASTS 2001 TO 2005

Market growth in the late 1990s and early 2000s was faster than predicted by most sources, and Key Note has revised its current market sizes and forecasts upwards for the next few years. The tremendous uncertainty surrounding the economy in 2001 seems bound to reduce growth, although DIY and gardening could be substitutes for other leisure activities (including travel) in the difficult early 2000s.

The 'make-over' TV programmes will continue to persuade younger home owners to spend more on their homes and gardens. Meanwhile, older and more affluent home owners will increase in number in an ageing population, making the home and garden the centre of social activity more than ever before.

Growth in the value of the sector is predicted at 30.4% for the next 5 years.

Table 8.10: The Forecast UK DIY and Gardening Goods Market by Sector by Value (£m at rsp), 2001-2005

	2001	2002	2003	2004	2005
DIY goods	9,250	9,750	10,500	11,500	12,000
Gardening goods	3,400	3,600	3,950	4,100	4,500
Total	12,650	13,350	14,450	15,600	16,500
<i>% change year-on-year</i>	<i>5.9</i>	<i>5.5</i>	<i>8.2</i>	<i>8.0</i>	<i>5.8</i>
<i>rsp — retail selling prices</i>					
<i>Source: Key Note</i>					

SECTION NINE

EATING AND DRINKING

9. Eating and Drinking

INTRODUCTION

Only eating and drinking outside the home are considered as leisure activities, which means that food and drink brought home — either as grocery shopping or take-aways — are not discussed in detail. However, buying take-away meals instead of cooking, or sharing drinks with guests in the home instead of going out to a bar, can be considered as a form of recreational behaviour, so some coverage is warranted.

The broadest trend in this sector is the addition of modern and international venues for eating and drinking to the traditional UK base.

The traditional eating and drinking places are:

- traditional public houses, hotel bars and other fully licensed outlets such as working men's clubs
- unlicensed cafeterias, hotel restaurants and fish and chip shops.

The newer categories of outlet include:

- themed pubs, pub-restaurants, late-night bars (some offering dancing and entertainment)
- continental-style cafés, wine bars and brasseries
- fast food restaurants and coffee shops.

KEY TRENDS

The most important underlying trend has been the breakdown of traditional barriers between places for eating and drinking. The pub-restaurant reflects the growing demand for eating out in licensed premises (i.e. licensed to serve alcohol), rather than simply enjoying drinks and conversation. This trend has been partly the product of:

- more households with both partners working, making eating out both affordable and desirable
- drink-driving restrictions, making eating out more attractive than drinking
- a growing interest in quality food and international cuisine, stemming partly from foreign holidays.

While older consumers now opt for formal meals rather than simply visiting the pub, young people are increasingly dominant in the evening entertainment market, and town centre outlets cater for their interests through modernised pubs, fashionable bars, and particularly outlets with music or entertainment (such as quizzes, karaoke and live bands). Live sports events on TV are a focus for many pubs and bars.

While pubs and bars have had to offer food and a livelier or more sophisticated product, other leisure outlets have also become venues where meals and drinks are part of the offer, thus offering competition to the fully licensed bars. Cinemas, bingo, ten-pin bowling and sports centres all offer a wider range of food and drink than ever before.

The ethnic diversity in eating out in the UK is as striking as ever, with the thousands of Indian, Chinese and Italian restaurants having been joined by many other European (e.g. tapas bars), Asian (e.g. Thai) and American or Latin concepts. In drinking, however, the traditional favourites — beer, wine and spirits — broadly remain, with some variations in presentation for the younger consumer (e.g. ice beer and bottled cocktails, such as Bacardi Breezer).

On the supply side, there have been some dramatic changes of ownership of the largest 'estates' of pubs, bars and restaurants, resulting mainly from the breakdown of the traditional brewery-pub 'tied' system. Several former major players in drinking and eating out are now concentrating their investment elsewhere, such as drinks, hotels or health clubs. Where they retain a position in the market, it is usually through heavily branded multiple concepts, often with international operations (e.g. McDonald's, Pizza Hut, Burger King and KFC).

MARKET SIZE

Restaurant Market

Growth has tailed off in the restaurant market in recent years, from over 8% in the late 1990s to barely half that level. A fall in consumer confidence is bound to affect eating out very quickly, but restaurants and cafés are also having to compete on price at a time of low inflation, making it more difficult to achieve market value growth.

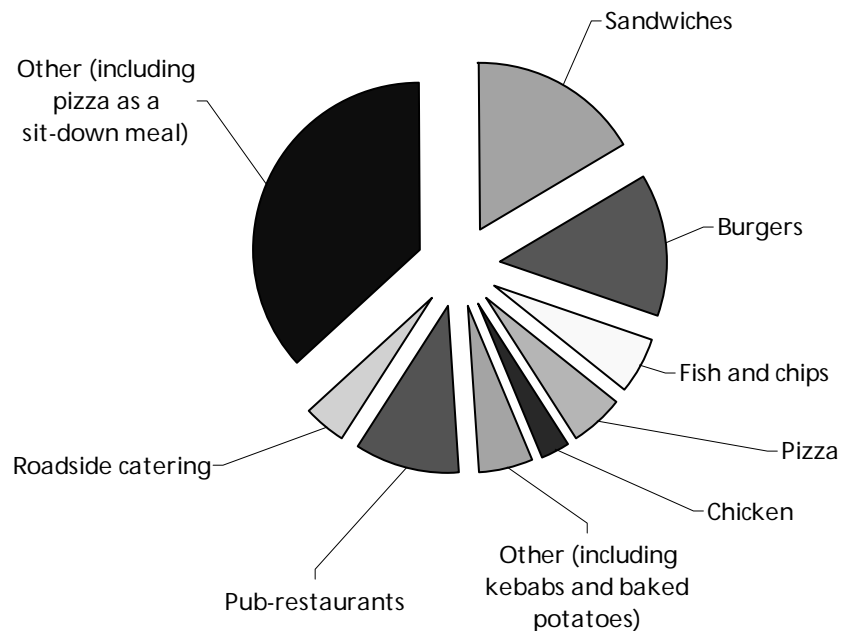
	1996	1997	1998	1999	2000
Fast food and take-away [†]	5,819	6,162	6,577	6,975	7,250
Other restaurant and café meals	5,619	6,254	6,869	7,246	7,600
Total	11,438	12,416	13,446	14,221	14,850
<i>% change year-on-year</i>	-	8.6	8.3	5.8	4.4
<i>† — including sandwiches</i>					
<i>Source: Key Note</i>					

The fast food and restaurants market splits almost equally between fast food and take-away outlets, and other restaurant and café meals.

The traditional way of segmenting the market has become more difficult as multiples have diversified. For example, the 'burger bar' epithet is no longer valid, with chains, such as McDonald's and Burger King, also selling all-day breakfast products and chicken and vegetarian meals. The estimates in Table 9.2 are therefore very broad. Overall, the largest sector is sandwiches, although this market is driven by workers' lunches rather than eating out as a leisure activity.

Table 9.2: The UK Fast Food and Restaurants Market by Sector by Value (£m and %), 2000		
	Value (£m)	% of Total
Sandwiches	2,500	16.8
Fast Food[†]		
Burgers	2,000	13.5
Fish and chips	800	5.4
Pizza	750	5.1
Chicken	425	2.9
Other [†]	775	5.2
Total fast food	7,250	£32.0
Other Restaurants/Cafés		
Pub-restaurants	1,500	10.1
Roadside catering	600	4.0
Other [§]	5,500	37.0
Total other restaurants/cafés	7,600	£51.2
Total	14,850	100.0
<i>† — includes kebabs and baked potatoes</i>		
<i>‡ — does not sum due to rounding</i>		
<i>§ — includes pizza as sit-down meals</i>		
<i>Note: fast food is categorised by principal product sold (e.g. burgers includes chicken meals through burger specialists)</i>		
<i>Source: Key Note estimates</i>		

Figure 9.1: The UK Fast Food and Restaurants Market by Sector by Value (%), 2000



Source: Key Note

Fast food is defined to exclude sandwiches and to include only cooked meals. Although fast food outlets have diversified, several distinct sectors remain, partly defined by their pioneering companies:

- burger restaurants (e.g. McDonald's, Burger King and Wimpy)
- take-away pizza (e.g. Perfect Pizza and Domino's)
- chicken (e.g. KFC).

Fish and chips is a fragmented, localised business, with the only exception being the Harry Ramsden's chain.

Public House Market

While sit-down meals sold through pub-restaurants were included in the restaurant market analysis, the public house market is still a distinct one because over 80% of the typical pub's turnover comes from drinks rather than food, with beer continuing to dominate the 'wet' sales. To present a complete picture, however, meals are included in Table 9.3.

Table 9.3: The UK Public House Market by Value (£m), 1996-2000

	1996	1997	1998	1999	2000
Alcoholic drinks	11,000	11,150	11,350	11,750	11,800
Food, soft drinks and other sales	2,100	2,300	2,500	2,750	2,950
Total	13,100	13,450	13,850	14,500	14,750
<i>% change year-on-year</i>	-	2.7	3.0	4.7	1.7
<i>Source:Key Note</i>					

Growth in sales through pubs has been slower than through restaurants, with the catering marketing shifting away from drinks to meals. However, pubs have done well to achieve any growth considering the pressures on them, such as over-capacity in outlets, the 'cheap beer' market shifting towards take-home drinking, and a concentration of pub users in the younger adult age groups.

The share of the typical pub turnover taken by all food (meals and snacks) and soft drinks has risen from less than 10% in the late 1980s to an estimated 17% in 2000. However, the sale of alcoholic drinks continues to dominate the function of the pub, particularly beer, which reflects the historical connection between brewers and publicans (but see Industry Structure and Forecasts).

Although primarily acting as beer outlets, however, pubs have extended their role over the years in providing evening entertainment, ranging from live bands or loud clubbing music to quiz nights and karaoke. The pub market now overlaps with bars which do not conform to any definition of a traditional pub; some of these bars are taking advantage of licensing changes to offer late-night drinking or dancing, and the 'chameleon' outlets change their purpose during the day for different sets of customers.

INDUSTRY STRUCTURE

Barriers to entry are low in the cash-generative catering businesses, meaning that there are over 150,000 individual companies in operation across the UK. Of these, nearly 50,000 are pubs or pub-restaurants, and the remainder are licensed or unlicensed restaurants and take-aways, including bars and foodservice outlets in hotels and leisure venues.

This vast number of catering outlets means that the multiples must be put into context as minor players in a basically fragmented market. For the consumer, individuality is generally more important than standardisation,

although the standardisation has its benefits for those using the fast food chains (in addition to the economies of scale which benefit their owners). Individuality is sought in traditional pubs, modern bars and ethnic and European restaurants and bistros, and recent years have seen a move away from the heavily branded chains of pubs of the 1990s.

Many catering businesses that appear to be individual enterprises are operated under national franchises, or with other legal or financial connections to a central company, so that fragmentation across individual outlets is sometimes more apparent than real. Table 9.4 lists both the multiples with a single owner and the important franchised groups.

Table 9.4: Selected Leading Multiples in Restaurants, Pubs and Hotels by Approximate Number of Outlets, 2001

Company	Type of Outlets	[†]Number of Outlets
<u>Pub Groups</u>		
Nomura International	Pubs (majority leased)	5,300
Punch Taverns	Pubs (majority leased), pub-restaurants	5,200
Enterprise Inns PLC	Pubs (all leased)	3,400
Laurel Pub Company	Pubs (majority leased)	2,500
Scottish & Newcastle	Pubs, pub-restaurants, hotels	2,500
Six Continents	Pub-restaurants, pubs, restaurants, hotels	2,000
Pubmaster	Pubs (majority leased)	2,000
<i>Table continued overleaf...</i>		

Table 9.4: Selected Leading Multiples in Restaurants, Pubs and Hotels by Approximate Number of Outlets, 2001

...table continued from previous page

<u>Other Groups</u>			
McDonald's			
Restaurants	Fast food (burgers)		1,200
Whitbread	Restaurants (various concepts including Pizza Hut, TGI Friday's and Brewers Fayre)		1,000
Compass Group	Mainly roadside and travel catering		1,000
Burger King (Diageo)	Fast food (burgers)		600
KFC (Tricon)	Fast food (chicken)		500
City Centre Restaurants	British and foreign concepts including pizza/pasta, Mexican, Asian, etc.		350
Wimpy International	Fast food (burgers)		290
Pizza Express	Pizza		250
<i>t — approximate</i>			
<i>Source: Key Note</i>			

Franchises account for varying proportions of the restaurant chains, depending on the policy of the central company. At McDonald's, the majority are owned and managed by the central company, while some 500 of the 600 Burger King outlets are franchised. Similarly, the great majority of Wimpy outlets are run under franchise.

In the case of Pizza Hut and TGI Friday's — both major US brands — operation in the UK is through owned and managed outlets, with the franchise for the UK held by Whitbread. KFC (formerly known as Kentucky Fried Chicken) is another global brand, controlled directly by its US parent company Tricon (a sister company of Pepsico which also owns Pizza Hut).

Pubs are also divided between managed outlets, owned by a central company, and leased pubs, which used to be described as 'tenancies'. (This dates from the traditional tied system, no longer so widespread, in which brewers owned pub properties but installed tenants to run the business.) Most of the largest estates shown are fairly loosely held together, comprising individual 'landlords' with property leases. The exceptions are the large managed estates of high-turnover pubs, pub-restaurants and bars owned by companies such as Whitbread and Scottish & Newcastle.

A cut-off point of 2,000 pubs was used in Table 9.4; a lengthy list of leased pub groups continues through the many regional brewers, of which the largest (with over 1,000 pubs each) are Wolverhampton & Dudley and Greene King. In contrast to the large leased estates are the smaller 'pub companies' which concentrate on developing and controlling their own distinctive pubs and pub concepts. The most successful, and largest of these, is JD Wetherspoon (400 pubs).

Trade Associations

There is no single association covering eating out as a market, but the British Hospitality Association and the Brewers & Licensed Retailers Association are the most influential for larger companies and groups.

The **British Hospitality Association** (BHA) primarily represents hotels and other accommodation suppliers but it also acts as a federation for hospitality (accommodation and catering) generally.

The **Brewers & Licensed Retailers Association** (BLRA) is the main representative body for pubs. Since it was renamed in 1994 (it had formerly been known as the Brewers Society), the membership base has been widened to include all beer retailers, and not just brewers which owned pubs.

MAJOR PLAYERS

The major multiples in eating and drinking, as part of the leisure market, have originated mainly as one of three types of company:

- large brewers (e.g. Scottish & Newcastle), including those which have recently sold their breweries to concentrate on pubs and other leisure activities (e.g. Whitbread); this category includes the so-called pub companies ('pubcos') that are non-brewing holding companies with thousands of pubs (e.g. Punch Taverns)
- the US-based fast food and restaurant multiples, principally McDonald's Restaurants and Burger King, Pizza Hut and KFC
- hotel groups whose hotels may derive a substantial turnover from their bars and restaurants (e.g. Six Continents, formerly known as Bass), including the hotel and catering companies which dominate travel and retail catering (e.g. Compass Group).

Given this background, large domestic companies that specialise in developing restaurants as their only activity are relatively rare among the major players (examples being Pizza Express and City Centre Restaurants.)

Burger King Ltd

Burger King Ltd was originally based in the US but is currently owned by Diageo PLC, the UK food and drink group formed in 1997 by the merger of Grand Metropolitan and Guinness. There are now 600 Burger King outlets in the UK, including many bars in the travel sector (e.g. at railway stations and

roadside service areas). Internationally, Burger King is the world's second-largest burger chain after McDonald's.

Financial Results

In the year ending 30th June 2000, turnover for Burger King Ltd increased by 5.1%, to £64.3m. The company made a pre-tax loss of £4.1m, compared to a pre-tax profit of £989,000 in the previous financial year.

City Centre Restaurants PLC

An unusual company in that it specialises in restaurants but develops a range of concepts, City Centre Restaurants PLC has 350 outlets across the UK but no involvement abroad. The original concepts included Garfunkels — a general menu family-oriented restaurant concept — and Deep Pan Pizza (rationalised in the late 1990s), followed by a variety of more modern ideas such as Caffé Uno (brasseries), Chiquitos (Mexican), Wok Wok (Asian) and Frankie & Benny's (American).

Financial Results

City Centre Restaurants PLC recorded a 6% increase in turnover for the year ending 31st December 2000, to £217.6m. The company made a pre-tax loss of £5.6m, compared to a pre-tax profit of £18.1m in the previous year.

Compass Group Holdings PLC

Compass Group Holdings PLC expanded during the 1990s through acquisitions, becoming the world's largest foodservice company. The acquisitions included that of Granada Group, the UK's largest hotels company, in 2000.

Most of Granada's hotels (including Posthouse and Forte) were subsequently sold in 2001, and Granada's Media division was separate from the rest of the company. This left Compass as the dominant UK player in travel catering through Travelodge, the Little Chef diners (435 outlets) and the leading catering position in motorway services (the 47 former Granada services being rebranded as Moto).

Compass catering brands are also ubiquitous in retail and leisure catering (e.g. Ritazza coffee shops and Upper Crust snack bars).

Financial Results

In the year ending 30th September 2000, turnover for Compass Group Holdings PLC increased by 13.1%, to £5.45bn. Pre-tax profits fell slightly, by 0.8%, to £180.3m. The company was known as Compass Group PLC until 30th November 2000.

McDonald's Restaurants Ltd

McDonald's now has around 1,200 outlets in the UK, far more than any other catering company under a single brand, and this reflects its status as the world's largest restaurateur. The company specialises entirely in fast food — a venture into coffee shops (the Aroma chain) in the early 2000s was short-lived.

Financial Results

In the year ending 31st December 2000, McDonald's Restaurants Ltd's turnover increased by 6.7%, to £1.1bn. The company made a pre-tax profit of £100.1m — a 15.4% increase over the previous year's figure.

Nomura International PLC

Nomura International PLC is a UK subsidiary of the Japanese investment bank, Nomura, which has invested heavily in leisure businesses in the UK over the past 10 years, under the leadership of Guy Hands. Nomura first acquired thousands of pubs from the Inntrepreneur estate that had been released from the brewery tie in the mid-1990s. Subsequent acquisitions have given Nomura over 5,000 pubs, mainly leased.

Financial Results

Nomura International PLC recorded an 11.2% decrease in turnover for the financial year ending 31st March 2001, to £555m. Pre-tax profits for the company also fell, by 22.9%, to £99.6m.

Pizza Express PLC

One of the few large UK-based restaurateurs of any stature, Pizza Express remains independent as a developer of pizza or pasta restaurants, some of which are franchised and some owned by the group. The restaurants are all table-service, licensed outlets.

Financial Results

In the year ending 30th June 2000, Pizza Express PLC's turnover increased by 18.6%, to £150.1m. Pre-tax profits for the company increased by 12.2%, to £32.3m.

Punch Taverns Group Ltd

Like Nomura, albeit starting later in the 1990s, Punch took advantage of brewers releasing thousands of pubs from 'the tie' to build up a 1,000-strong group of leased pubs. In 1999, Punch bought the Retail division of Allied Domecq, comprising some 4,000 pubs including many managed, branded outlets such as Big Steak.

Financial Results

In the 53-week period ending 2nd October 1999, Punch Taverns Group Ltd recorded a turnover of £156.7m and a pre-tax profit of £32.6m. In the 52-week period ending 26th September 1998, the company achieved a turnover of £79.6m and a pre-tax profit of £3.4m.

Scottish & Newcastle PLC

Formerly only a regional brewer in the UK, Scottish & Newcastle PLC expanded dramatically after 1995, becoming one of Europe's largest brewing groups, through the acquisition of Courage in the UK and leading French brewer Kronenbourg. Scottish & Newcastle also maintains a large estate of managed pubs, many of which are branded concepts (e.g. Chef & Brewer).

Financial Results

In the year ending 30th April 2000, Scottish & Newcastle PLC's turnover increased by 8.4%, to £3.57bn. Pre-tax profits, however, fell by 19.1%, to £262m.

Six Continents PLC

The name Six Continents was chosen in 2001 for the former Bass group, the Bass beer brand having been sold to Interbrew. The change reflects the company's new strategy as an international hotelier, having disposed of many of its UK leisure subsidiaries since 1995. However, Six Continents has retained a division of some 2,000 high-return pubs and bars, such as All Bar One and O'Neill's, and also many pub-restaurants, including Toby and Harvester.

The hotel brands owned by Six Continents include Holiday Inn, InterContinental and Posthouse (acquired from Compass Group in 2001).

Financial Results

In the year ending 30th September 2000, turnover for Six Continents PLC increased by 10.1%, to £5.16bn. The company made a pre-tax profit of £1.99bn, compared to £572m in the previous year. The company was known as Bass PLC until 27th July 2001.

Whitbread Group PLC

Like Bass, Whitbread severed its links with its brewing past in 2000, selling its Beer division to Interbrew. This was followed in 2001 by the sale of most of the formerly 'tied' pub estate to Morgan Grenfell Private Equity, which has named the estate Laurel Pub Company (the fourth-largest pub group in Table 9.4).

Whitbread retained some of the branded pubs and pub-restaurants as well as most of its restaurant chains, which had made Whitbread the UK's largest restaurateur in the 1990s. These include Pizza Hut, TGI Friday's, Café Rouge, Bella Pasta and Costa Coffee to add to the pub-restaurant concepts such as

Beefeater and Brewers Fayres. Brewsters are family pub-restaurants that also offer budget accommodation. The focus of Whitbread investment is now on hotels (Travel Inn, the Marriott franchise in the UK and Brewsters), and sports clubs (David Lloyd).

Financial Results

In the 53-week period ending 4th March 2000, Whitbread Group PLC achieved a turnover of £2.95bn and a pre-tax profit of £255.6m. In the 52-week ending 27th February 1999, Whitbread recorded a turnover of £2.94bn and a pre-tax profit of £301.1m. The company was known as Whitbread PLC until 10th May 2001.

Advertising

The global fast food brands dominate advertising in the consumer catering market. McDonald's alone spent £37.9m in the media in the year to June 2001, accounting for 42.4% the UK total for catering advertising during that period. Other global brands with a significant media presence are KFC, Burger King and Pizza Hut.

Table 9.5: Main Media Advertising Expenditure on Restaurants, Pubs and Take-Aways (£000), Year to June 2001

	£000
McDonald's	37,921
KFC	13,682
Burger King	9,977
Pizza Hut	8,333
Harvester Restaurant	1,883
Dominos	982
Other	16,591
Total	†89,370
<i>† — does not sum due to rounding</i>	
<i>Source: ACNielsen MMS</i>	

The leading UK-only brands advertised at present are Harvester and Little Chef. The others, usually with advertising spends of less than £500,000 annually are mainly, like Harvester, pub-restaurant concepts — Toby Carvery's, O'Neill's, Brewers Fayre and Beefeater.

BUYING BEHAVIOUR

Restaurant Users

According to Target Group Index (TGI), the proportion of adults using restaurants at all has remained fairly stable over the years, and came to 59% in 2001. Usage is divided between lunch and dinner ('daytime' or 'evening'). In both cases, the 59% measure clearly picks up a large number of occasional users of restaurants.

	During the Day	In the Evening
More than once a week	0.9	0.5
Once a week	3.1	1.8
2 to 3 times a month	8.8	6.3
Once a month	16.2	12.4
Less than once a month	33.7	33.1

Source: Target Group Index (TGI), © BMRB International Ltd, 2001

Relatively few adults are frequent visitors to restaurants. For evening meals, 2.3% of adults go to a restaurant on a weekly basis, rising to 4% during the day.

Pub Users

In pub usage, there has been a trend towards pubs attracting fewer heavy users but a higher number of occasional visitors (e.g. regular visitors once a week). This probably reflects the use of pubs for meals — a trend which probably restricts the number of regular restaurant users shown in Table 9.6 — but also the fact that pubs are generally more attractive (if more expensive) places to visit for more people.

**Table 9.7: Frequency of Visits to Public Houses
(% of adults), 2001**

Everyday	0.9
4 to 5 times a week	1.2
2 to 3 times a week	10.8
Once a week	22.5
Less often	34.7
Never go	21.5

Source: Target Group Index (TGI), © BMRB International Ltd, 2001

Despite these changing trends, there is no shortage of 'regulars' for pubs to call on, meaning that the pub retains its position at the centre of evening leisure in the UK. Over three-quarters of adults visit a pub at least once a year, while the regular users — those who go at least once a week — total to a market of 15 million adults.

Restaurant Chains

BMRB Access conducted a survey for Key Note in June 2001 into the restaurant chains, other than fast food chains, people had visited in the past year.

Overall, the established pub-restaurant concepts have the highest penetration, led by Harvester (Six Continents) and Whitbread's Brewers Fayre and Beefeater. However, Pizza Hut had the highest penetration, with 35% of adults claiming to have eaten in a Pizza Hut outlet in the past year.

Table 9.8: Branded Restaurants Used in Last Year by Selected Regions (% of adults), June 2001

Question "In which, if any, of the following restaurant chains have you eaten during the last year?"

	All	London	South East	Wales	West Midlands	North West	Scotland
Pizza Hut	35	46	37	25	33	32	35
Harvester	32	43	46	24	57	11	12
Brewers Fayre	31	12	33	25	37	47	40
Little Chef	29	19	30	33	27	31	25
Beefeater	29	26	38	19	40	33	31
Pizza Express	15	34	26	7	6	10	7
Harry Ramsden	15	9	12	15	12	20	23
TGI Friday's	13	15	17	14	10	10	16
Chef & Brewer	12	13	23	6	12	13	8
Café Rouge	11	26	16	1	14	11	2
None of these	18	13	15	28	21	13	20

Base: 1,014 adults

Source: BMRB Access/Key Note

Among the demographic variables, the regional pattern was most striking, for a combination of reasons. Little Chef scored well across the country, because it consists of roadside diners sited along many of the trunk routes. Most other chains are concentrated in London and the South East — the major exception being Harry Ramsden's fish and chip restaurants, originally from the North of England — and Londoners are far more likely to have used concepts such as Café Rouge or Pizza Express. Affluent suburbs are preferred for siting family concepts such as Beefeater and Brewer's Fayre.

FORECASTS 2001 TO 2005

The economic and political gloom hanging over the UK in 2001 does not bode well for the catering markets, which are bound to feel the effects of fewer foreign visitors as well as a hesitant leisure consumer.

The most important structural change has been the severing of the links between most pubs and pub-restaurants and the large brewing groups. This should allow a freer pattern of development in UK catering in future. Outlets will increasingly target consumers more carefully; families dining out will become more frequent, and there are distinct markets for young adults and for older consumers. Given the UK's past record for eating out, fashions will continue to come and go, and there could be a rebellion against the multiple 'formulae' pubs, bars and restaurants.

Table 9.9: The Forecast UK Eating and Drinking Market by Sector by Value (£m), 2001-2005

	2001	2002	2003	2004	2005
Restaurants/fast food	15,250	16,000	17,250	18,000	19,000
<i>% change year-on-year</i>	-	4.9	7.8	4.3	5.5
Public houses [†]	12,250	12,300	12,450	12,600	12,650
<i>% change year-on-year</i>	-	0.4	1.2	1.2	0.4
<i>† — alcoholic drink sales only (meals/soft drinks included with restaurants/fast food)</i>					
<i>Source: Key Note</i>					

SECTION TEN

**SHORT BREAKS AND
TOURIST ATTRACTIONS**

10. Short Breaks and Tourist Attractions

INTRODUCTION

This Review does not cover the holiday market, nor the broader travel and tourism markets (see Key Note's 2001 market Review *UK Travel & Tourism*) but short breaks and visits to tourist attractions do warrant coverage as a part of mainstream leisure. The definitions are as follows:

- A short break is a leisure trip away from home that involves at least one night (but no more than three) in commercial accommodation (e.g. a hotel or a holiday centre)
- A tourist attraction, or visitor attraction, is interpreted broadly to cover museums, monuments, cathedrals and historic sites, as well as theme parks and other commercial, private-sector attractions

KEY TRENDS

The outbreak of foot and mouth disease has not been a trend, but it has obviously interpreted any previous trends in UK tourism, either for long holidays or short breaks, and also for visiting attractions. Assuming the tourism market recovers in due course, the following long-term trends are likely to emerge:

- Affluent consumers increasingly using their disposable income to pay for more holidays and breaks as a reward for working hard, particularly in double-income households
- The premium option is increasingly being sought, such as a pampered luxury hotel weekend, a sporting weekend, or a themed weekend at a holiday centre
- Short breaks are used to 'see some of Britain' now that most main holidays are taken abroad, and may also be a way of visiting friends and relatives.

Tourist attractions rely on a combination of day-trippers, foreign visitors, British long-holidaymakers and the educational market, depending on the type of attraction and its location. The weather, the strength of sterling, and funding for school trips can all affect the market. Recently, some unwelcome attention was drawn to the attractions market by the debacle of the Millennium Dome, and some other new attractions using National Lottery and Millennium Commission funding have also struggled to remain open. Important exceptions to this pessimistic rule have been the highly successful Eden Project (a gardening and environmental dome in Cornwall), the London Eye and the Tate Modern.

Generally, however, the list of leading attractions is still dominated by long-standing leaders — e.g. Alton Towers, Madame Tussauds, the British Museum, the Tower of London and Stonehenge — and many of these have invested to improve their appeal to a more demanding visitor.

The vast majority of short breaks are independent trips by car, often staying cheaply in caravans or with relatives. For those who choose the more commercial option of staying in a hotel or booking a packaged break, the industry structure has undergone significant changes in recent years.

Budget hotels and motels have proliferated, making it easier to plan long trips, with investment pouring in from international hotel companies, as well as former brewers, such as Whitbread and Bass (recently renamed Six Continents). Holiday accommodation suppliers, such as holiday centres (e.g. Butlin's) and forest villages (e.g. Center Parcs), have focused hard on the weekend break instead of the longer holiday, and many of these businesses changed owners around the turn of the decade.

MARKET SIZE

The Short Breaks Market

Research from the national tourist boards (for England, Scotland, Wales and Northern Ireland) shows that domestic tourism has grown fairly consistently over the past 10 years, from less than 100 million trips in the early 1990s, to 146.1 million trips in 1999, the latest year for published statistics in the UK Tourism Survey. Within this 146.1 million total, worth £16.2bn in tourist spending, short break holidays accounted for around 42 million trips, and spending of £3.7bn.

Recent trends based on the tourist board surveys are more questionable, however, and the market for short breaks will, in any case, have been badly affected in 2001 by foot and mouth in the UK and the terrorist attacks in the US.

**Table 10.1: The UK Short Breaks Market
(£m, million trips and £ per trip), 1996-2000**

	1996	1997	1998	1999	e2000
£m	2,640	3,110	3,105	3,545	3,250
Trips (million)	32.8	37.4	34.8	41.3	36.0
£ per trip	80	83	89	86	90
<i>e — Key Note estimates</i>					
<i>Source: United Kingdom Tourism Survey, sponsored by the four National Tourist Boards, undertaken by NOP</i>					

With most affluent consumers now opting to take their main holidays overseas, and the least affluent not being able to afford holidays, the domestic market has shifted towards the short break and away from long holidays over a long period dating back to the 1970s. Average spend per break is increasing, with the general trend being towards shorter but more luxurious, breaks away from home, taken by working couples and their families.

From the 1980s onwards, hotels contributed to this trend by increasing their promotions of off-peak room rates and special packages, often featuring romantic breaks, activity breaks or sports facilities. Holiday centres and forest villages contributed to this trend towards the 'premium' break in the 1990s, although the bulk of breaks in volume terms are short trips to visit friends and relatives, using cheap or free accommodation.

The Tourist Attractions Market

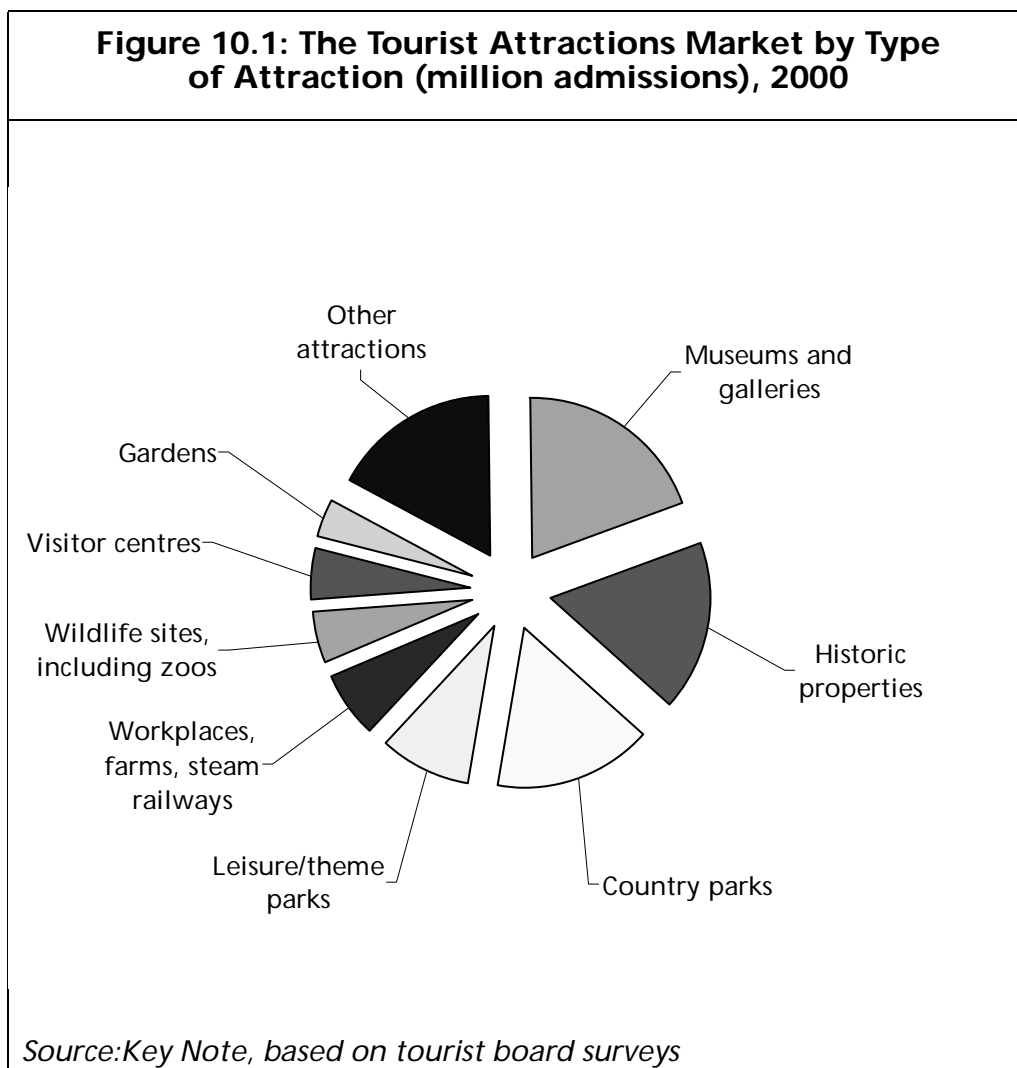
It is not feasible to put a value on the attractions market because so many attractions, both important and minor, offer free admission (around 66% of all admissions are free).

Tourist boards gather data on admissions, both free and paid, and these give a global picture of trends, although foreign tourists are included, not only domestic residents. For many attractions, particularly in London, the foreign visitor is crucial, and some attractions also depend heavily on parties of school children, whose visits are also included in the following figures.

Table 10.2: The Tourist Attractions Market by Type of Attraction (million admissions), 2000

	Admissions (million)	% of Total
Museums and galleries	75	19.7
Historic properties	65	17.1
Country parks	60	15.8
Leisure/theme parks	35	9.2
Workplaces, farms, steam railways	25	6.6
Wildlife sites, including zoos	20	5.3
Visitor centres	20	5.3
Gardens	15	3.9
Other attractions	65	17.1
Total	380	100.0

Source: Key Note, based on tourist board surveys



Changes in overall admissions take place fairly slowly, because newer types of attraction can replace those less in fashion. For example, zoos have struggled to attract tourists for many years, although recent zoo policies and a more environmentally-friendly approach have helped them to recover. Similarly, conventional gardens and horticultural attractions have also lost visitors over the years, but the Eden Project, opened in Cornwall in 2001, attracted 750,000 visitors in its first few months, and this will clearly have an impact on the gardens category (15 million visits in 2000).

The overall total for 2000 is estimated by Key Note at 380 million admissions. Between 1995 and 2000, the number of admissions per annum has fluctuated between 380 million and 400 million. The weather is usually responsible for major changes in admission numbers, although recent years have brought a series of unusual events, contributing to the poor total in 2000, and 2001 is likely to produce even worse results:

- while the Millennium celebrations boosted some attractions, they generally produced disappointing figures (spread across 1999, 2000 and 2001)

- 2000 was generally a dismal year for weather, and even witnessed flooding
- the combination of the outbreak of foot and mouth and concerns over international terrorism in 2001 are likely to affect the market
- there has been a decline in foreign visitors to the UK, from 1999 onwards, mainly as a result of the strength of sterling.

It should be noted that the tourist board research includes country parks, for example, to which the term 'admissions' is hardly applicable. (Visitors to these parks may come every week to take part in sports such as fishing.)

Trade Associations

The **British Hospitality Association** (BHA) is the trade association for the hospitality, catering and leisure industry (including hotels).

The **Association of British Travel Agents** (ABTA) is the UK's main trade association for tour operators and travel agents. One of ABTA's services is an arbitration scheme, which was updated in 2001. A scheme has been running since 1975, in conjunction with the Chartered Institute of Arbitrators.

INDUSTRY STRUCTURE

Short Breaks

Short breaks are marketed as commercial products by a combination of specialised tour operators and accommodation suppliers. The tour operators that specialise in domestic short breaks are now mainly subsidiaries or divisions of much larger travel groups. For example, Superbreak is part of Holidaybreaks (see Major Players).

Also important for packaging breaks are the main coach operators, led by Shearings and Wallace Arnold, although their target markets are mainly the older tourists who prefer not to drive. Coach operators have found that even their mature customers have been opting for more short breaks rather than the traditional week by the seaside or two-week tour.

Smaller operators focus on young adults with adventure, sports or clubbing breaks, often using rail or scheduled coaches as transport.

Accommodation

The hotel sector is a fragmented one, particularly if the thousands of small, independent hotels and guest houses are included. However, it is the largest companies that have done the most to develop the luxury short break market.

Owners of holiday villages, centres and parks are also significant, having shifted their marketing from the week's holiday to the short break.

Tourist Attractions

As Table 10.2 showed, the attractions market divides up into many distinct sectors, and ownership is split across public and private sector organisations. The majority of sites are owned and run by public bodies (government and trusts). Private ownership extends across most leisure parks and commercial attractions such as Madame Tussauds, plus the majority of safari parks and many steam railways and workplace exhibits.

Public-sector involvement is led at the highest level by the Department for Culture, Media and Sport, the responsibilities of which include the National Lottery, a source of substantial funds for tourism development. Through this Department, which funds the national tourist boards, the Government takes an active role in encouraging domestic tourism and safeguarding historic and educational tourist attractions.

Museums, galleries, many historic properties and most public gardens are owned and operated by a mixture of national government bodies (British Museum, English Heritage, Historic Scotland, Cadw, etc.), local authorities and trusts. Some of the trusts are charitable (e.g. the National Trust) and others have been set up by aristocratic owners of stately homes, who may retain part of the property to live in but open the rest of it to the public. Country parks and visitor centres are usually owned by local authorities or tourist boards.

MAJOR PLAYERS

A large proportion of short breaks and tourist attractions fall outside the commercial realm (e.g. short visits to relatives and school trips to museums). This section concentrates on the commercial players.

Short Breaks

Superbreak Mini-Holidays, the leader in organising hotel breaks, is part of the Holidaybreaks group, which includes Eurocamp, Key Camp and Regal Diving. Rainbow Holidays, with a similar programme of hotel breaks, was owned by First Choice, a major overseas tour operator, until Holidaybreak acquired it in 2000.

Highlife, another leading breaks operator, is owned by the hotel group, Thistle, although it offers non-Thistle hotels in its breaks programme.

Hotel companies with breaks brochures for their own hotels include: **Marriott**, a US hotel brand operated by Whitbread in the UK; **Holiday Inn**, owned by Six Continents, which has also acquired many of the former Forte hotels; and **Hilton Group** and **Thistle Hotels**.

Center Parcs is the market leader in upmarket holiday villages. It has been independent since a buy-out in 2000, and now owns the UK's other forest village, Oasis, in the Lake District. The three Center Parcs villages in the UK are located in Nottinghamshire, Suffolk and the West Country.

Changes of ownership have also affected the two major holiday centre companies. **Pontin's** was bought out from Scottish & Newcastle in 2000, and Bourne Leisure, which already owned the British Holidays centres, bought **Butlin's** from Rank Group in the same year.

Attractions

The largest private owner of attractions is **Tussauds Group**, with a portfolio including three major theme parks — Alton Towers, Chessington World of Adventures and Thorpe Park. It also owns Madame Tussauds, the London Planetarium and Warwick Castle, all among the major commercial attractions for foreign visitors to the UK (theme parks, however, are visited mainly by domestic residents). In 2001, the Group announced the closure of the uneconomic Rock Circus attraction in London.

Apart from the few grouped attractions such as Tussauds' and the various Dungeons operated by **Merlin Entertainments** (London, York and Edinburgh), most visitor attractions are owned and run as unique properties, either for historic reasons or in the way they are themed. Outstanding among these are:

- the Tower of London — a castle and museum owned by the Government, receiving over 2 million visitors a year
- the British Museum, the Natural History Museum and the Science Museum (branches of the British Museum), also owned directly by the Government
- Westminster Abbey, St Paul's and Canterbury Cathedral, the three cathedrals attracting the most visitors in the UK (all Church of England)
- Windsor Castle, owned by the Royal Family (as is Buckingham Palace)
- Blackpool Pleasure Beach, owned by the Thomson family
- the Roman Baths in Bath, owned by the local authority.

Advertising

The 12-month period ending in June 2001 included the exceptional budget allocated to the Millennium Dome. Even more had been spent advertising the Dome in the previous 12-month period (to June 2000), but the £3.4m spent during its remaining months open still made it the most heavily advertised attraction in the UK. The consistently advertised attractions are the large theme parks, led by Legoland Windsor and Tussauds Group's three major parks (Alton Towers, Chessington and Thorpe Park).

Table 10.3: Main Media Advertising Expenditure on Accommodation and Tourist Attractions (£000), Year to June 2001

	£000
Attractions	
Millennium Dome Experience	3,352
Legoland Windsor	2,370
Alton Towers	1,589
Thorpe Park	801
Drayton Manor Park	771
Chessington World of Adventures	750
Blackpool Pleasure Beach	541
West Midland Safari & Leisure Park	490
Hotels^f	
Posthouse	2,578
Marriott	1,348
Travel Inn	1,173
Travelodge	969
Radisson Edwardian	823
Heritage	692
De Vere	621
Macdonald	390
Hilton	220
Holiday Inn	261
Ibis	207

Table continued overleaf...

Table 10.3: Main Media Advertising Expenditure on Accommodation and Tourist Attractions (£000), Year to June 2001

...table continued from previous page

	£000
Other Accommodation	
Center Parcs	3,013
Butlin's	2,904
Haven	2,554
Oasis Forest Holidays	1,683
Pontin's	627
British Holidays	253

† — includes all sub-brands, e.g. Marriott Golf Breaks

Note: sector totals not computed as they include campaigns not relevant to this market analysis

Source: ACNielsen MMS

The advertising figures for tourist accommodation are unusual in that so many brands changed owners — and, therefore, the funders behind any marketing — during this period. The Posthouse brand continued to be backed strongly, having been developed originally by Forte and then owned in turn by Granada Group, Compass and, currently, Six Continents (known as Bass during this period).

The transition of the two former brewers, Six Continents and Whitbread, from brewers into hotel companies is reflected in their budgets for Posthouse and Holiday Inn (Six Continents) and for Travel Inn and Marriott (Whitbread). Much of the campaigning for hotels is still targeted at business travellers rather than domestic leisure travellers, particularly for the prestigious London hotels. However, the swing towards leisure guests is also apparent in the budgets for Heritage Hotels and for the various budget hotel brands.

Ownership changes have also affected strategies for the 'other' accommodation sector, but the new owners of Butlin's and Haven (Bourne Leisure, also owner of Haven and British Holidays) seem likely to continue a policy of relatively heavy advertising expenditure. Center Parcs and Oasis now share the same owner, holding a monopoly of this kind of accommodation in UK tourism, but advertising is unlikely to decrease.

BUYING BEHAVIOUR

Short Breaks

The survey data from the tourist boards which was used to evaluate the market size (Table 10.1) also provides analysis of aspects of consumer behaviour such as accommodation chosen, method of transport and activities on short breaks. These parameters do not change much from year to year, according to the UK Tourism Survey, and the following are the main characteristics:

- Only a quarter of short breaks involve the use of hotels or guest houses — staying with friends or relatives is the most common choice (40% of breaks), and a further 20% use their own accommodation for the trip (e.g. caravans, mobile homes and boats).
- 80% of breaks involve the car, followed by the train (7%) and then buses and coaches (6%).
- 90% of travellers make independent arrangements and drive to their destination. Only 10% of trips involve a travel agent or a group booking.
- Only half of all short breaks involve some specific sort of activity. The most common activities are sightseeing (particularly historic sites), walking or rambling, swimming, theatre or concerts, and theme park visits.

Target Group Index (TGI) focuses on the use of hotels for short breaks, and found that 28.9% of adults had used a hotel in the UK in 2000/2001. Hotel bookings are most likely at weekends, and TGI found that 10.2% had taken one weekend break, 4.1% had taken two, and almost 3% had taken three or more breaks in 2000/2001. Consumers are less likely than ever before to use a domestic hotel for a long holiday (more than three nights), and mid-week breaks are also less popular than they used to be.

Attractions and Exhibitions

TGI's figures for visits to attractions show a decline in visits to most types of day-trip attraction over the past 5 years. While it is true that the comparison in Table 10.4 is of a good year for domestic tourism (1996) with the unusually bleak period in the 2001 survey, the middle year (1999) tends to confirm the decline.

Table 10.4: Visits to Exhibitions and Other Attractions in Britain (% of adults), 1996, 1999 and 2001

	1996	1999	2001
Museums	26.2	24.1	25.0
Beauty spots/gardens	30.1	22.7	20.2
Stately homes/castles	20.7	21.0	20.0
Other places of historic interest	26.1	19.0	18.5
Other places of natural interest	25.8	15.4	14.3
Zoos [†]	10.8	9.9	10.0
Alton Towers	8.5	7.4	5.6
Chessington World of Adventures	4.1	3.6	3.1
Legoland Windsor	<i>n.a.</i>	2.7	2.7
Thorpe Park	2.7	2.2	2.3
Other theme parks	9.0	7.1	6.6
Camping & Outdoor Life Exhibition	3.7	3.7	3.4
Ideal Home Exhibition	4.6	3.7	2.7
International Motor Show	4.1	3.1	2.2
International Boat Show	2.1	1.2	1.1
<i>† — other than London Zoo</i>			
<i>n.a. — not available</i>			
<i>Source: Target Group Index, © BMRB International Ltd, 1996, 1999 and 2001</i>			

Both traditional and modern attractions have suffered from fewer visitors over the past few years. The summer weather can have an influence, but there appears to be a deeper, underlying problem for gardens and beauty spots, other natural attractions and places of historic interest. Visits to commercial exhibitions, such as the Ideal Home Exhibition, are no longer as popular as they used to be.

Some attractions and theme parks have lost numbers of visitors because alternative ones, not yet monitored by TGI, have opened. For example, a new theme park (such as Legoland) makes it difficult for existing theme parks to maintain their visitor numbers.

FORECASTS 2001 TO 2005

At the time this Review was published (October 2001), the UK tourism market was in a dire position, suffering from the double blow of foot and mouth disease and the terrorist attacks on the US in September 2001. Further, economic trends alone were enough to ensure that 2001 will have been a disastrous year.

The only prediction that can be made is that the tourism business will return to normal from 2002 onwards, although this assumes that there are no more significant terrorist attacks or exceptional environmental problems. On this basis, Table 10.5, which includes 2000 as a base year, makes a perhaps optimistic forecast that the market equilibrium will be reasserted by 2004.

Table 10.5: The Forecast UK Short Breaks and Tourist Attractions Markets (£m, 000 trips and million admissions), 2001-2005					
	2001	2002	2003	2004	2005
Short Breaks					
Trips (000)	32.0	35.0	40.0	42.0	45.0
Value (£m)	2,750	3,050	3,600	3,900	4,275
Attraction admissions (million)	350	375	385	400	415
<i>Source:Key Note</i>					

Despite the current gloom and the disappointment represented by the Millennium Dome, some rays of light have shone from successful new attractions, often funded via the National Lottery. These have included the National Space Centre in Leicester, the Tate Modern on London's South Bank, the Eden Project in Cornwall, the Glasgow Science Centre, and Edinburgh's Dynamic Earth. The tourism industry is also hoping the best for the celebrations of the Queen's Golden Jubilee in 2002.

SECTION ELEVEN

CINEMA AND THEATRE

11. Cinema and Theatre

INTRODUCTION

This section will concentrate on the two most commercial expressions of the arts (or public entertainment), rather than attempting to cover the whole of the artistic community:

- cinema
- theatre.

Also relevant to the arts are the media, examined in earlier sections (e.g. Section 5 — Home Viewing) and visitor attractions, such as art galleries, but the focus here is on events and venues that persuade UK consumers to seek entertainment — at an admission price — outside their homes, usually in the evening.

KEY TRENDS

Television was responsible for the serious decline in the popularity of cinema in the 1950s and 1960s, just as cinema had previously put paid to live, popular entertainment in the theatres. To an extent, the impact of television continues, although there are now film and drama channels, and a plentiful supply of video tapes and discs to help redress the balance.

Cinema went through a revival in the 1990s, inspired by the ever-growing number of multiscreen cinemas (multiplexes) which, in most cases, were funded directly or indirectly by the US movie industry. However, the movie business still relies too heavily on an audience of teens and early 20s — a demographic sector that has been shrinking — and UK cinema admissions only tend to respond to blockbusters such as *Titanic* or 'British' films such as *Bridget Jones's Diary*, a new record-setter in 2001.

With total admissions remaining relatively low, the UK has reached saturation point in terms of number of cinema screens, and several operators are withdrawing or rationalising their involvement.

Concert-going has been enjoying a revival, particularly for pop music. Large-scale concerts and outdoor festival appearances are backed by the major record companies that have invested heavily in girl and boy bands. For older adults, the tribute band phenomenon and the reuniting of famous groups from the 1970s and 1980s (such as the Eagles and Roxy Music) have contributed to optimism among concert promoters.

Theatres continue to struggle as alternatives in entertainment to cinema or concerts, with their large casts and high cost bases. This applies particularly in the provincial theatre. London's West End draws on a concentration of affluent residents and also on foreign tourists, and remains one of the world's theatre capitals, although foot and mouth and the US recession are bound to affect the 2001 results.

MARKET SIZE

Box Office Revenues

Cinemas and theatres are usually treated as separate markets, but it is possible to total the admissions and box office revenues. (There are no such data for concert-going, dance attendances, etc.) Total admissions came to an estimated 166 million in 2000, of which cinemas dominated with 142.5 million.

The box office breakdown is different, since the average theatre ticket is over four times more than a cinema seat, so that theatre had a 43.7% share of the £950m market value in 2000.

	1996	1997	1998	1999	^e 2000
Box Office (£m)					
Cinemas	425	517	504	521	535
Theatres	365	390	390	400	415
Total box office	790	907	894	921	950
<i>% change year-on-year</i>	-	14.8	-1.4	3.0	3.1
Admissions (million)					
Cinemas	123.0	139.0	135.0	139.0	142.5
Theatres	25.3	24.8	24.5	24.0	23.5
Total admissions	148.3	163.8	159.5	163.0	166.0
<i>% change year-on-year</i>	-	10.5	-2.6	2.2	1.8
<i>e — Key Note estimates</i>					
<i>Source: Key Note based on trade association reports</i>					

Cinema enjoyed a boom period in the mid-1990s but has struggled to maintain volume growth since 1997, which was a bumper year (although the record-breaking release of *Titanic* was in 1998). Average ticket prices have increased, however, to produce more consistent growth in market value since 1998.

The theatre market has experienced a steady decline, in line with the diminishing number of theatre-goers. Also affecting theatre adversely have been trends in tourism, particularly the number of visitors to London who regard a West End theatre ticket as an essential part of the visit. The London theatres claimed to have done well despite foot-and-mouth in the first half of 2001 — or even because of it, with the countryside but not the cities off limits. However, the terrorist attacks on the US mean that the year will be a very difficult one. Overall, however, the market statistics have been dragged back by lower admissions and revenues in the provincial theatre.

Cinema Advertising Revenue

Cinemas differ from theatres in one crucial respect — their ability to support their income through selling advertising space, not just tickets, catering and merchandise.

Cinema advertising enables advertisers to reach young, affluent consumers, and revenues have more than doubled in the past 10 years, from £45m in 1992 to a projected £150m for 2001. Nevertheless, this only represents under 1% of total UK advertising.

INDUSTRY STRUCTURE

Number of Cinemas

The capacity of the cinema used to be measured by numbers of cinemas or 'sites', but the advent of the multiscreen cinema, followed by the development of multiplex cinemas (multiscreen complexes) means that capacity is more meaningful in terms of screens. (Around 800 buildings in the UK operate as cinemas.)

Although the UK remains 'under-screened' by international comparisons, capacity is believed to have reached saturation level.

	1995	1996	1997	1998	1999	2000
Sites	728	742	747	761	751	754
Screens	2,003	2,166	2,383	2,638	2,825	3,017
Average number of screens per site	2.8	2.9	3.2	3.5	3.8	4.0

Source: Cinema Advertising Association/Key Note

The majority of cinemas are still traditional one or two-screen properties, but by 1998, there were more screens in multiplexes than in ordinary cinemas. Saturation means that there are currently too many screens in both type of cinema.

Number of Theatres

The exact number of theatres in the UK is not known. At the smaller end of the scale, venues used for putting on drama include buildings that also serve as concert halls, community halls, arts centres, etc.

The total number of venues for drama performances in the UK runs to over 1,000, of which 350 theatres are represented by the Theatrical Management Association (provincial theatres). The Greater London area has over 100 theatres — a greater concentration of theatres of all kinds than any other city in the world. More than 20 of these theatres have the capacity to put on large-scale productions, such as musicals with large casts and modern special effects. The Society of London Theatres represents 50 theatres in the capital.

Role of the 'Hollywood Studios'

The major 'Hollywood studios' (much of the US film industry, in fact) plays a crucial role in international film distribution and cinema release, particularly in the English-speaking countries. The studios are now parts of much larger media groups, but their jointly-owned film distribution companies, combined sometimes with direct investment in the 'bricks and mortar' of cinemas, maintains their influence.

The studios and distributors can only recoup their annual investments by hoping that they achieve 'blockbuster' successes, which exceed box office predictions, in order to counter the losses made on many other releases. For example, *Titanic* became the UK's top grossing film of all time, taking nearly £70m at the UK box office, with an unusually broad appeal to young and old cinema-goers. Video rental and sell-through and merchandising also contribute to the financial success of blockbusters.

Interest in apparently 'British' films can also produce exceptional successes in the UK, although foreign investment is usually heavy. Examples range from *Four Weddings And A Funeral* through to *The Full Monty* and, in 2001, *Bridget Jones's Diary*.

Trade Associations

Members of the Cinema Exhibitors Association (CEA) own around 90% of the UK's cinemas, and therefore the members include all the major operators.

The Cinema Advertising Association (CAA) promotes the use of cinemas as a medium for advertising. The two members of the CAA are Carlton Screen Advertising and Pearl & Dean. The CAA is the major source of data on cinema advertising.

The Society of London Theatres (SOLT) represents most of London's commercial theatres. SOLT was formerly known as the Society of West End

Theatres, and its promotional activities reflect the demand by both domestic and overseas theatre-goers for West End theatre.

The Theatrical Management Association (TMA) represents the theatre as a trade, and members include theatres and drama companies, as well as individuals.

MAJOR PLAYERS

The late 1990s brought a surprising amount of corporate activity (mergers, acquisitions and disposals) across the cinema and theatre sectors. Ownership of theatres remains fragmented across the UK, including numerous trusts and local authorities as owners, whereas cinema is more concentrated among multiple groups.

Table 11.3: Leading Operators of Cinemas and Theatres, 2001

Company	Parent Company
<u>Cinemas</u>	
Odeon Cinemas Ltd	CinVen
ABC Cinemas	CinVen
UCI [†]	Paramount/Universal [†]
UGC	UGV (Gaumont), France
Warner Village	Time Warner/Village Roadshow [‡]
Showcase [§]	National Amusements (US)
Apollo Leisure Group	SFX Entertainment (US)
<u>Theatres (Commercial)</u>	
Really Useful Theatres	The Really Useful Group Ltd/ NatWest Equity Partners
Apollo Leisure Group	SFX Entertainment (US)
Ambassador	Includes Mayfair Theatres,
Theatre Group	Associated Capital
Cameron Mackintosh	Cameron Mackintosh Ltd

Table continued overleaf...

Table 11.3: Leading Operators of Cinemas and Theatres, 2001

...table continued from previous page

Company	Parent Company
<u>Theatre (Grant-Aided Groups)</u>	
Royal National Theatre, Royal Shakespeare Company	
Royal Opera, English National Opera, Scottish Opera, Opera North	

† — *United Cinemas International UK Ltd, trades as UCI*

‡ — *joint ventures*

§ — *brand owned by National Amusements UK*

Source: Key Note

The Ambassador Theatre Group Ltd

A long-established holding company for the London theatre impresario, Eddie Kulukundis OBE, The Ambassador Theatre Group Ltd moved up the ranks of theatre owners in 2000 by acquiring Associated Capital Theatres. London theatres include the Duke of York's, the Whitehall and The Ambassadors. The Group also operates in provincial theatre (e.g. Victoria Hall, Stoke and the Milton Keynes Theatre), and owns some cinemas.

Financial Results

In the year ending 30th September 2000, The Ambassador Theatre Group Ltd achieved a turnover of £25.8m, compared to £9.2m recorded for the previous year. However, the company recorded a pre-tax loss of £1.1m, compared to a loss of £1.7m in the previous financial year.

Apollo Leisure Group Ltd

For many years prior to its acquisition in 1999, Apollo Leisure Group Ltd was a major owner of both cinemas and theatres (a fairly unusual combination), as well as operating bingo clubs and acting as a ticket distributor. The purchaser, SFX Entertainment, is the leader of the US market for large-scale shows and spectacles. SFX was interested primarily in Apollo's theatres, rather than its mainly small, town-centre cinemas.

The theatre properties are mainly in the provinces, but include The Lyceum. Outside London, the larger theatres owned by Apollo include the Edinburgh Playhouse, Liverpool Empire, Bristol Hippodrome and Oxford Apollo. There are 23 theatres in total.

Financial Results

In the 57-week period to 31st December 1999, Apollo Leisure Group Ltd recorded a turnover of £86m, and a pre-tax profit of £220,000. In comparison, in the 52-week period ending 28th November 1998, the company recorded a turnover of £79.3m and a pre-tax profit of £4.2m.

Cameron Mackintosh Ltd

Sir Cameron Mackintosh came to prominence as a producer and impresario in the West End theatre and went on to develop a broadly-based theatre company that includes five West End theatres. Famous productions over the years have included *Godspell*, *Les Miserables*, *Miss Saigon* and collaborations with Lord Andrew Lloyd-Webber (*Cats* and *Phantom of the Opera*).

Financial Results

In the year ending 31st March 2000, Cameron Mackintosh Ltd's turnover fell by 5.2%, to £30.1m. Pre-tax profits, however, increased by 15.4%, to £13.3m.

Odeon Cinemas Ltd/ABC Cinemas Ltd

The leadership positions in UK cinema changed dramatically in 2000 when two of the long-established chains — Odeon and ABC — were brought together. CinVen, the venture capital company which raised the funds to acquire ABC Cinemas (57 cinemas with 175 screens), went on to buy Odeon (75 cinemas, 464 screens) from Rank Group, to create a leading cinema operator for the UK. Both the Odeon and ABC chains are comprised mainly of town-centre cinemas, but they also have multiplexes.

Financial Results

In the year ending 27th April 2000, ABC Cinemas Ltd's turnover fell slightly, by 0.9%, to £43.7m. The company made a pre-tax loss of £1.8m, compared with a loss of £2.8m in the previous year.

Financial results for Odeon Cinemas Ltd were not available at the time this report was published (October 2001).

The Really Useful Group Ltd

The Really Useful Group Ltd was founded by, and is controlled by, the UK's pre-eminent theatre impresario of the 1980s and 1990s, Lord Lloyd-Webber. Really Useful Group was originally a production company for Lloyd-Webber's 1970s globally popular musicals such as *Jesus Christ Superstar*, *Cats* and *Phantom of the Opera*. It then developed Publishing, Music and Media divisions and bought, or took long leases on, several West End theatres.

In January 2000, Stoll Moss Theatres was added to Really Useful Group interests through the setting up of a holding company, Really Useful Theatres, with finance from NatWest Equity Partners. Leading London theatres in the group include the Palladium, Her Majesty's, the Garrick and Theatre Royal Drury Lane.

Financial Results

In the year ending 30th June 2000, The Really Useful Group Ltd recorded a turnover of £39.4m — a 7.8% fall from the previous year's figure. Pre-tax profits for the company fell by 36.4%, to £11.1m.

UGC Cinemas Ltd

UGC, the largest cinemas group in France, moved into the UK in 2000 by acquiring Virgin Cinemas. Originally, the multiplexes now owned by UGC had been part of the Cannon and then the ABC groups, and they were also branded as MGM for a time. Richard Branson's Virgin Group had invested heavily in the cinemas but decided to leave the UK market in 2000.

Financial Results

In the 48-week period to 30th December 1999, UGC Cinemas Ltd recorded a turnover of £85.9m and a pre-tax profit of £3.5m. In the year ending 28th January 1999, in comparison, the company achieved a turnover of £78.3m and a pre-tax profit of £62.1m. The company was known as Virgin Cinemas Ltd until 16th November 1999.

United Cinemas International (UK) Ltd

Trading as UCI, United Cinemas International (UK) Ltd is a joint venture between two of the Hollywood studios. It has been the UK's leading multiplex developer over the past 20 years, with 325 screens in 32 cinemas. The ultimate owners are Viacom, which owns Paramount Studios, and Vivendi, the French company that acquired Universal Studios from Seagram in 2000.

Financial Results

In the year ending 31st December 1999, turnover for United Cinemas International (UK) Ltd increased by 3.8%, to £111.2m. Pre-tax profits for the company, however, fell by 34.6%, to £9.1m.

Warner Village Cinemas Ltd

Warner Village Cinemas Ltd is a joint venture in the UK market between Warner Brothers, of the US, and Village Roadshow, based in Australia. Village Roadshow is the largest cinema operator in its home market, and is also working with Warner Brothers in several other European countries.

Warner Brothers has had UK cinemas, mainly in central London, for many years. The parent of Warner Brothers is Time Warner, which includes one of the original Hollywood studios.

Financial Results

In the 53-week period ending 30th November 2000, Warner Village Cinemas Ltd recorded a turnover of £34.3m, compared to an £18.1m turnover for the 52-week period ending 25th November 1999.

Advertising

Feature Films

In the year ending June 2001, £90.6m was spent on advertising movies on release in the cinema, a vast sum that reflects the dominance of the handful of Hollywood studios and their distributors. ACNielsen MMS lists a vast number of movies with substantial advertising budgets, although this is ephemeral and the list is almost completely replaced each year. Table 11.4 shows a selection of the heavily advertised movies in the 2000/2001 period.

Table 11.4: Main Media Advertising Expenditure for Movies on Cinema Release (£000), Year to June 2001

	£000
Movie (Distributor)	
Pearl Harbour (Buena Vista)	2,393
Castaway (Dreamworks)	2,066
Bridget Jones's Diary (Universal)	1,932
Hannibal: Silence of the Lambs 2 (UIP)	1,895
Billy Elliott (UIP)	1,811
Traffic (Entertainment)	1,533
What Lies Beneath (20th Century Fox)	1,448
The Mummy Returns (Universal)	1,434
Dinosaur (Buena Vista)	1,424
MI2 (Paramount)	1,234

Table continued overleaf...

Table 11.4: Main Media Advertising Expenditure for Movies on Cinema Release (£000), Year to June 2001*...table continued from previous page*

	£000
Movie (Distributor)	
102 Dalmations (Buena Vista)	1,337
Unbreakable (Touchstone)	1,238
Vertical Limit (Columbia)	1,233
Charlie's Angels (Columbia)	1,226
Little Nicky (New Line Cinema)	1,218
The Emperor's New Groove (Walt Disney)	1,210
Spy Kids (Miramax)	1,161
What Women Want (Icon Films)	1,151
The 6th Day (Columbia)	1,111
Other	62,533
Total	†90,583

*† — does not sum due to rounding**Source:ACNielsen MMS*

Cinemas, Theatres and Concerts

Advertising of cinemas themselves is a low-key business compared to movie advertising, and has been valued by ACNielsen MMS at just over £3m in each of the past 2 years (1999/2000 and 2000/2001).

Theatrical advertising, including concerts and concert halls (where there are overlapping performances), is much substantial than cinema advertising. In the 12-month period to June 2001, £28.9m was spent on these live events and venues — 12% more than in the previous year.

Table 11.5: Main Media Advertising Expenditure for Cinemas, Theatres and Concerts (£000), Year to June 2001

	£000
Cinemas	
Warner Village	728
UGC	662
Showcase	344
Odeon	284
UCI	245
Other	990
Total	†3,254
Theatre and Concerts	
EMAP-sponsored events	956
Royal Opera/Royal Opera House	559
Marshall Arts (concert promoter)	494
The Lion King (promoter and venue)	485
Walt Disney On Ice	395
Napoleon (Shaftesbury Theatre)	355
Other theatre and concerts	25,698
Total	†28,945
<i>† — does not sum due to rounding</i>	
<i>Source:ACNielsen MMS</i>	

The increase in advertising of live entertainment confirms the feeling in the industry — not one that is easy to prove statistically — that the market is in a buoyant phase. However, the advertising of live entertainment is spread across thousands of performances and venues (over 5,500 are listed by ACNielsen MMS), whereas cinemas are concentrated on a small number of national multiples, mostly showing a similar range of movies.

The fragmentation in live entertainment means that very few individual shows or venues spend more than £250,000 a year on main media advertising. The complex business relationships are illustrated in Table 11.4: the top six advertisers are all very different in character (backers, promoters, individual shows and venues). For example, the advertising for *The Lion King* has been split across The Really Useful Group, Cameron Mackintosh and the Lyceum Theatre.

The irony in live entertainment is that good reviews, public relations (PR) and word-of-mouth are the best advertising for a show or concert, and it is much more difficult to 'hype' a success than in the case of movies. In fact, advertising of theatre productions is mainly used as a last resort — to continue selling tickets after the first run has sold out.

BUYING BEHAVIOUR

Cinema

The basic problem for UK cinema continues to lie with the fact that nearly half the population never go to the cinema (47.8% in 2001) — a proportion that has risen since 1997. Among those who do go, the tendency is to go infrequently, with only one in ten adults going to the cinema at least once a month.

**Table 11.6: Frequency of Cinema Going by Adults
(% of adults), 1997 and 2001**

	1997	2001
Once a week or more often	0.7	0.7
2 or 3 times a month	4.4	4.1
Once a month	6.3	6.0
Once every 2 to 3 months	11.4	11.1
2 to 3 times a year	15.3	14.2
Less often	15.4	16.1
Never go	46.4	47.8

Source: Target Group Index (TGI), © BMRB International Ltd, 1997, 2001

The trend revealed by Target Group Index (TGI) in 2001 was disappointing, because previously the number saying they 'never go' had been declining, and the number of regular cinema-goers had also been increasing gradually in the late 1990s.

Theatre

In the case of theatre, the downward trend is more consistent, and not just a recent phenomenon. Between 1997 and 2001, the 'never go' proportion in the TGI survey has increased from 62.5% to 65.5%.

Table 11.7: Frequency of Theatre Going (% of adults), 1997, 1999 and 2001

	1997	1999	2001
Once a month or more	1.9	1.8	1.6
Once every 2 to 3 months	4.0	3.4	3.8
2 to 3 times a year	11.0	10.1	10.1
Once a year	11.4	10.7	9.5
Less often	9.2	9.3	9.6
Never go	62.5	64.7	65.5

Source: Target Group Index (TGI), © BMRB International Ltd, 1997, 1999, 2001

There have been declines in attendance in all the frequency groups, suggesting that some people have stopped going to the theatre entirely, and not just reduced their number of attendances in a year. Nevertheless, an annual or biannual visit to the theatre — which could simply be to see a pantomime at Christmas — is still a part of the leisure experience for around 20% of adults, which could be construed as an achievement in the era of in-home entertainment and multiplex cinemas.

FORECASTS 2001 TO 2005

Prospects for both cinemas and theatres have become more pessimistic recently, as a result of trading results in 2000 and the combined blows of foot and mouth and the US terrorist attacks in 2001.

Furthermore, economic trends are not favourable for conspicuous spending by consumers (or inbound tourists), which militates against the theatre market with its more expensive costs and ticket prices. There is also some evidence that consumers are increasingly more likely to be attracted to live music than to theatrical productions.

Cinema depends more on the popularity of films on show, since seat prices are less expensive. The market is difficult to predict, but 2001 should be a reasonable year thanks to *Bridget Jones's Diary* and *Harry Potter*. Beyond that, the market may have reached a temporary plateau, and cinema developers are increasingly cautious.

**Table 11.8: The Forecast UK Cinema and Theatre Market
by Box Office Revenue and Number of Admissions
(£m and million), 2001-2005**

	2001	2002	2003	2004	2005
Box Office (£m)					
Cinemas	550	625	675	700	725
Theatres	425	460	475	500	515
Total	975	1,085	1,150	1,200	1,240
<i>% change year-on-year</i>	2.6	11.3	6.0	4.3	3.3
Admissions (million)					
Cinemas	145.0	160.0	170.0	175.0	175.0
Theatres	23.0	23.5	23.0	22.7	22.5
Total	168.0	183.5	193.0	197.7	197.5
<i>% change year-on-year</i>	1.2	9.2	5.2	2.4	-0.1
<i>Source:Key Note</i>					

SECTION TWELVE

SPORTING ACTIVITIES

12. Sporting Activities

INTRODUCTION

This section takes a broad definition of 'sporting' to include many aspects of physical recreation that contribute to the leisure market. The formal sports can be divided into amateur and professional or, from the consumer viewpoint, active or passive:

- active participation — playing in amateur sports in a team or as individuals, including the joining of clubs, and sometimes taking sporting holidays (e.g. skiing or golf)
- passive — involvement with professional sport as a spectator at live events, or, far more likely today, watching sport on television or following it in other media.

The active participation category involves physical pursuits such as rambling, cycling, jogging or swimming which, although usually non-competitive, must be covered as part of UK leisure. The aim of consumer involvement in such activities is increasingly to keep oneself in good health and reasonably fit, rather than to compete in a game, and the fitness market has emerged since the 1980s as a distinct sector, also covered in this Review (whether it be keeping fit using home gym equipment or joining a health club).

Unlike many other leisure sectors, the funding of sport only comes partly from the consumer. For example, a popular activity like swimming is subsidised by local authorities. The supply side for sporting activities, as for the arts, therefore requires a consideration of both public and private sectors.

This section does not cover sports wear (clothing or footwear) in any depth, because sports wear has moved into the mainstream fashion market, with little bearing on sports as such.

KEY TRENDS

Historically, sporting activities have been encouraged as a matter of government policy (both national and local), and the public investment in sports centres and swimming pools in the 1970s extended the participation base well beyond the core participants (young, affluent men). More women and older people took up sports using the new public facilities, although other consumer trends were also responsible — more sedentary jobs (for both men and women), more disposable income for leisure time, and the general awareness of keeping healthy and fit to prolong life.

The 1990s brought a renewed interest in keeping fit, but the aim of general fitness and all-round health replaced the need to take part in a competitive sport for many consumers. However, participation levels have also fallen for other reasons — a lower ratio of young adults in the population, in-home entertainment attractions for children and teenagers, and long working hours and household duties preventing people from engaging fully in competitions and leagues.

Responding to this consumer demand, the health club became the sporting phenomenon of the 1990s. The private club sector is still expanding in the early 2000s, even tempting major companies to abandon their former activities to concentrate on the fitness market. The equipment market is increasingly sophisticated, with products targeting those looking for resistance (muscle-toning), cardiovascular or aerobic exercise.

Golf remains outstanding as the most important competitive sport for amateur participation, and it is also by far the largest market in terms of consumer spending.

On the professional side, football is more dominant than ever in terms of live spectating and television audiences. Payments for the rights to televise matches have multiplied for the largest clubs, some of which are investing in sophisticated sports and leisure complexes around their stadiums. In 2001, the England team's famous 5-1 victory in Germany should mean that England qualifies for the World Cup, offsetting recent national disappointments in athletics and cricket.

MARKET SIZE

Figures from the *Family Expenditure Survey* have shown a strong increase in sports spending over recent years, apart from a slowdown in 1998. Between 1996 and 2000, there was a 42.3% increase in spending on spectating, participation costs and equipment (not including clothing or footwear), taking the total market to a value of £4.3bn.

	1996	1997	1998	1999	2000
Participation [†]	2,665	2,935	3,000	3,275	3,550
Spectating	375	475	525	650	775
Total	3,040	3,410	3,525	3,925	4,325
% change year-on-year	-	12.2	3.4	11.3	10.2
<i>† — includes equipment purchases, but not clothing or footwear</i>					
<i>Source: Key Note</i>					

The figures in Table 12.1 are Key Note's estimates based on the *Family Expenditure Survey*, but including suitable modifications of the 'extreme' years that produce apparent anomalies. The original data, expressed in pounds per average household per week, is shown in Table 12.2.

	1995/ 1996	1996/ 1997	1997/ 1998	1998/ 1999	1999/ 2000
Sports and camping equipment	0.57	0.66	0.80	0.60	0.60
Participation — other costs	0.92	1.04	1.00	1.10	1.10
Subscriptions to clubs [†]	0.70	0.78	0.80	0.90	1.10
Spectating	0.31	0.37	0.30	0.50	0.60
Total	2.50	2.85	2.90	3.10	3.40
<i>† — includes social clubs and sports clubs</i>					
<i>Source: Family Expenditure Survey/National Statistics/Key Note</i>					

Participation in Sport

Participation in sport, as shown in Table 12.1, cost UK consumers some £3.55bn in 2000. This represents a complex combination of spending on the requisite equipment, on pay-per-play fees for playing (e.g. golf green fees or tennis court bookings), and on club subscriptions.

The total value of amateur sport is much higher, since it can be taken to include spending on sports wear (for performance, not fashion), and also spending on catering and travel costs, which can be substantial for some sports (e.g. climbing, water sports and sea fishing). Many keen sports participants also spend large amounts on sporting holidays, beyond their regular weekly spending.

Furthermore, to add to the total value of amateur sport, consumer spending on participation takes place at a partly subsidised rate, which does not fully reflect the cost of sports facilities. That is, local authorities subsidise the building and maintenance of sports centres, parks, pools, etc. to an estimated value of around £500m a year.

However, participation has been shifting away from the subsidised public-sector facilities towards the private-sector health clubs and sports clubs. Consumers are also tending to upgrade to more expensive sports or facilities — from municipal golf courses to expensive private clubs, or taking up water sports that incur higher participation costs than traditional sports, such as football.

This Review does not offer the scope to cover details of all the sports played, but some of the sports attracting large amounts of consumer spending, due to their structure and playing etiquette, are golf, water sports and fishing.

Health Clubs and Home Fitness

Health clubs now warrant separate treatment from other sports participation facilities. Over many years, the balance of consumer interest (and spending) has shifted more towards fitness, and away from organised sports and games. Membership of many traditional sports clubs is declining, as consumers opt for either large private sports clubs (such as David Lloyd Leisure), or for local health clubs. Public flotation of many of the health club companies has made them prominent, and some have even developed pan-European operations.

Illustrating the growing importance of pure fitness, the 1990s saw fitness suites installed or extended in most public leisure centres, while the race to open private clubs in all possible locations brought the market closer to saturation point.

The interest in keeping fit is also expressed within the home, which is obviously not a suitable location for most sports or games. The home exercise equipment market is valued by Key Note at around £60m, as part of the £700m that consumers spend on all sports equipment. Home exercise has not grown anywhere near as fast as club membership in recent years, because consumers have been channelling their expenditure into club memberships rather than in-home fitness.

Spectating

Spectating is, in many ways, an entirely separate market from participation. For example, there are far more football followers than actual players. At the other extreme, swimmers far outnumber those who watch swimming as a spectator sport.

The increase in spending, reaching £775m by 2000 (from £375m in 1996), is largely the result of structural changes in professional sport. The key factor has been the growth of football, which has always dominated spectator sport in terms of attendance figures and spending.

Since the early 1990s, football's image has been transformed by two key factors:

- television coverage of live matches, bringing more money to the largest football clubs in particular, and enabling them to buy leading international players
- the ground improvements that followed the Government's Taylor Report, creating all-seater stadiums with improved safety, comfort, catering and corporate hospitality.

Many of the clubs have been floated as public companies, and this has helped give them a more commercial approach. However, life for football clubs outside the Premiership is increasingly difficult, with attendances declining as fans opt for watching TV at home or in pubs.

Rugby and cricket are endeavouring to follow the path followed by larger football clubs, by taking a more commercial approach to running clubs and attracting spectators, sponsors and revenues from corporate hospitality and catering.

INDUSTRY STRUCTURE

Sports Facilities

Local authority leisure facilities remain the major locations for sports participation, but increasingly important are the various private clubs and sports centres catering for a wide variety of interests.

The UK has 1,600 public leisure centres providing for a wide range of activities, centred on swimming, sports hall games and racquet sports. These facilities are subsidised from local taxation, but may be either privately managed or run by council staff. The demand for 'pure fitness' activity has seen councils investing in gyms and health suites. Some local authorities have contracted the running of leisure centres to private companies such as Kunick, DC Leisure and Circa Leisure, and these contractors may develop branded clubs within the centres.

There are now 3,500 private health clubs, and numbers are still growing, with the market shifting towards the larger clubs owned by specialists such as David Lloyd, Fitness First, Esporta and Cannons. The top six groups now have a combined membership of over one million members.

Table 12.3: Leading Health Club Owners by Number of Members and Sites, 2001

Company	Main Club Brands	Number of UK Members	Number of UK Sites
Whitbread [†]	David Lloyd, Marriott	300,000	110
Fitness First	Fitness First	210,000	90
Esporta	Esporta	167,000	37
Cannons [‡]	Cannons, Courtney's	160,000	57
Holmes Place	Holmes Place	132,000	42
Hilton Group [†]	LivingWell	115,000	88
De Vere [†]	Village,		
	De Vere, Greens	98,000	41
LA Leisure	LA Fitness	68,000	30
Crown Sports	Fitness Express, Dragons	65,000	36
<i>† — hotel groups, some with stand-alone clubs</i>			
<i>‡ — includes clubs managed for local authorities</i>			
<i>Source: Leisure & Hospitality Business, Fitness Focus supplement, August 2001</i>			

Health clubs are a mixture of stand-alone clubs (such as Cannons and Esporta), and clubs within large hotels, such as Marriott (part of Whitbread) and Hilton (the LivingWell brand).

The health clubs range in size from small, inner-city gyms with a single exercise room, up to the out-of-town 'superclubs' that offer a combination of sports as well as fitness. Most sports, however, are still served by the thousands of specialist amateur clubs, usually owned by their members. (Golf is the main exception, with corporate ownership of many clubs.)

The need to join a formal club varies from sport to sport; for example, it is unnecessary for swimming, hill walking or snooker, but essential for regular golf or team sports. The sports with the largest numbers of club members are shown in Table 12.4.

Table 12.4: Number of Sports Clubs and Estimated Membership Numbers, 2000

	Number of Sports Clubs	Estimated Number of Members
Football	42,000	1,500,000
Snooker	5,300	1,500,000
Golf	2,877	1,126,000
Tennis	2,450	750,000
Bowls	8,600	500,000
Squash	1,540	464,000
Sailing/yachting	1,620	450,000
Motor sports	750	420,000
Angling	2,000	392,000
Swimming	1,880	287,000
Rugby Union	2,026	284,000
Athletics	2,000	248,000
Rambling	1,100	195,000
Martial arts	1,080	177,000
Cricket	7,560	151,500
Hockey	2,045	86,500
Badminton	3,370	84,200
Cycling (racing and touring)	1,650	57,200
Table tennis	3,800	53,300
Sub-aqua	1,470	52,000

Source: Marketing Pocket Book (NTC Publications)/Key Note

Professional Football

Football dominates the sports spectating market. During the 1990s, the stadiums of most Premiership clubs were redeveloped into all-seater stadiums with improved hospitality facilities (but sometimes with lower crowd capacities). However, turnover now comes from a mixture of sponsorship, broadcasting and merchandise revenues, as well as admissions to matches.

**Table 12.5: Leading Football Clubs
by Stadium Capacity, 2000**

Club	Stadium	[†]Capacity
Manchester United	Old Trafford	56,000
Sunderland	Stadium of Light	41,500
Liverpool	Anfield	40,500
Everton	Goodison Park	40,000
Leeds United	Elland Road	40,000
Sheffield Wednesday	Hillsborough	40,000
Aston Villa	Villa Park	39,500
Arsenal	Highbury	38,500
Newcastle United	St. James's Park	37,000

† — approximate

Source:Key Note

Some clubs sold their traditional inner-city grounds to create new sports complexes, including a stadium, on the edge of town (e.g. Bolton's Reebok Stadium and Sunderland's Stadium of Light). Some smaller clubs have also explored the option of sharing their stadiums with other team sports, such as Rugby League (e.g. at Huddersfield and Wigan).

Other Spectator Sports

Facilities for sports other than football vary considerably with the type of activity, ranging from following professional golfers around a course to indoor viewing of a snooker tournament.

The largest audiences are drawn by the main team sports, led by cricket and rugby (separate Union and League rules), with spectating at individual events led by tennis and athletics.

The largest stadiums and arenas for public spectating include the new National Stadium in Wales, the Crystal Palace Sports Centre, the National Exhibition Centre (NEC) Arena in Birmingham and Lord's Cricket Ground. A new stadium is being built in Manchester in time for the city's hosting of the Commonwealth Games in 2002, and Wembley Stadium is to be redeveloped.

Sports Equipment and Sports Wear

Fragmentation is characteristic of sports equipment production, due to the large number of sports and types of equipment required. Manufacturing is globalised, so that specialist companies — although small — can sell their products to participants in numerous national markets. Imports therefore dominate the UK market, although the UK is also a significant exporter. The US is the most important source of sports equipment (particularly golf and fitness equipment.) Taiwan and China are also important.

Most of the global giants have their commercial bases in the US or Japan, with golf production dominating. In Europe, leading companies making equipment for more than one sport include the UK's Dunlop Slazenger Group, adidas-Salomon (based in Germany and France), Wilson (part of Amer Group of Finland), and Head (Austria).

Sports wear is such a part of general fashion that the leading sports brands are also among the leading general clothing and footwear brands around the world. The outstanding multinationals are Nike and Reebok (both US-based), followed by Europe's largest sports groups, adidas-Salomon (Germany) and Fila (Italy). Umbro and Mitre (part of Pentland Group) are major UK-based suppliers of football kit and boots.

MAJOR PLAYERS

The complicated sports sector does not lend itself to a conventional analysis of market leaders, but the following companies or organisations can be highlighted as being highly influential:

- Nike, Reebok and adidas-Salomon are the world's 'big three' in sports wear, and they are also developing a presence in sports equipment. Their advertising and sponsorship budgets play a major role in attracting attention to many sports.
- Dunlop Slazenger Group is the overall UK market leader in sports equipment with a strong position in golf, racquet sports, cricket and hockey. Otherwise, the equipment market is extremely fragmented by market share. Pentland Group is another UK sports company, with a mixture of subsidiaries in sports wear and equipment, including Speedo (swimwear), Mitre (football and rugby) and Berghaus (outdoor).
- Golf is the sport that underpins the largest number of major equipment manufacturers, led by Callaway Golf, Spalding, and Titleist & Foot Joy (part of Fortune Brands), all US-based companies.
- Fitness equipment is also fragmented, and is divided between club suppliers and those targeting the home fitness market. The former include Life Fitness, Technogym and Pulse, while Icon Fitness (Weider and Healthrider), York Barbell (UK) and Tunturi are prominent in home fitness.

- David Lloyd Leisure (Whitbread) is the leading sports and health club company, currently on a path of expansion following the parent company's sale of its Brewing division.
- Local authorities are the main providers of facilities for outdoor amateur sports through their ownership of parks, playing fields, sports centres and swimming pools. Every council tries to develop an attractive, multisports facility to act as a showpiece for its investment in local leisure.
- Manchester United is by far the largest football club, with a latest turnover of £117m, the only club to top £100m. Other outstanding revenue earners from football include Newcastle United, Chelsea, Liverpool and Arsenal, and the two major Glasgow clubs (Rangers and Celtic).
- The televising of football has been dominated by BSkyB for many years, although the BBC and the ITV network have steadily invested more in buying broadcasting rights for prestigious football tournaments. ITV Digital, which replaced OnDigital in 2001, has dedicated most of its ITV Sport digital broadcasting to football. The BBC's Radio Five Live is the most important sports radio station.

Advertising

The advertising statistics for sport have become less significant with each passing year, as companies turn to using marketing techniques that are more direct, and more relevant, to their audiences.

In the sports equipment sector, only golf equipment attracts substantial advertising. Intense competition in the golf industry means that media spending is spread fairly thinly across numerous brands, mainly US in origin. (Golf brand advertising has been much more noticeable recently as a mainstay of golf programme broadcasts on satellite sports channels.) Callaway has been the main golf advertiser in recent years.

Table 12.6: Main Media Advertising Expenditure on Sports Equipment, Marine Equipment, and Events, Venues and Sponsorship (£000), Year to June 2001

Golf Equipment	
Callaway golf clubs and balls	608
Taylor Made golf clubs	376
Titleist golf clubs and balls	364
Ping golf equipment	201
Other	2,785
Total	4,336

Table continued overleaf...

Table 12.6: Main Media Advertising Expenditure on Sports Equipment, Marine Equipment, and Events, Venues and Sponsorship (£000), Year to June 2001

...table continued from previous page

Yachting, boats, marine equipment	10,852
Other sports equipment	2,071

Events, Venues and Sponsorship

Nike Run London	786
Hollywood Bowl	532
Scottish Rugby Union	396
Ascot Racecourse	301
One2One sports sponsorship	266
Other	9,726

Total **12,007**

Sports Shops

JJB Sports	4,007
JD Sports	1,601
Allsports	826
First Sport	687
Other	4,536

Total **11,657**

Source:ACNielsen MMS

While the sports shops are not of central relevance to this Review of consumer activities, it is important to include their advertising as a reflection of the importance of the 'sporty look' in fashion. JJB Sports is by far the largest multiple and also has the largest advertising budget (spending £4m in the year to June 2001). Several of its superstores now have JJB-branded health clubs built next to them, making an interesting connection between retailing and sports participation.

Like so many leisure markets, the sports market contains a vast variety of activities and this is reflected in the advertising statistics. In the events, venues and sponsorship section of Table 12.6, almost £10m of the £12.3m spent in 2000/2001 came in the 'other' category of smaller campaigns, and even the top five campaigns were from entirely different activities — tenpin bowling, rugby, horse racing, etc.

Sponsorship deals are obviously not shown in the media figures. (The £786,000 spent by Nike on the London Run was only to advertise the event and its sponsorship, not the amount donated to the organisation of the run.) Over £400m a year is spent on major sport sponsorships, excluding local deals and individual endorsement contracts, some of which run to several million pounds per player.

BUYING BEHAVIOUR

At public leisure centres, traditional sporting activities (such as swimming, badminton and squash) have been joined by newer activities (such as keep fit, aerobics and bowling), often aimed at encouraging the less athletic user. Key Note estimates admissions to leisure centres to be over 850 million a year.

Keeping Fit

Private health clubs are increasingly favoured by affluent professionals, offering sophisticated equipment, an exclusive environment and aspirational qualities.

Private gyms and health clubs are increasingly attractive and less male-dominated than in the past, and busy women who have followed their own fitness programmes from their teenage years can use the machines and save time going to classes. Traditionally, women have tended to train for all-round fitness and physical well-being, whereas with men, the bias is usually towards muscle-building, training for a competitive sport, or weight loss. However, the philosophy of the modern health club has changed this with a shift in attitude towards general fitness for all members or users.

According to Target Group Index (TGI), 10.4% of adults took part in 'aerobics/keep-fit' classes in 1999, of whom the vast majority were women. It is generally agreed that the aerobics boom is over, largely because more women are using health clubs for individual fitness.

There is no separate survey detail on home exercising, but the 1999 TGI survey found that 10% of adults were engaged in exercising with weights, or weight training, up from 9.8% in 1996. It is this group that provides the core demand for both health club membership and for equipment for use in the home.

Generally, the fitness trend involves both men and women, although keen 'keep-fitter' women are also the most likely to participate in both aerobics classes and personal gym work. The most important difference between the sexes is that women are training for general life fitness and health, whereas with men, the bias is still towards either muscle-building or training in connection with a competitive sport.

Other Sports Participation

In the 1970s and 1980s, the overall level of participation among adults was driven upwards by the extension of sporting activities beyond its original adherents (mainly younger men). This was encouraged by the Sport for All campaign and by local councils. In particular, female participation in indoor activities increased, through activities such as aerobics classes, dance exercise classes and aqua-aerobics.

A more recent feature of the market has been the rise of 'pure' fitness activities, unrelated to competitive sports or games. During the 1990s, there were marked declines in participation rates for many sports, and very few made gains. TGI regularly surveys sports and leisure participation by adults. The most popular activities are still swimming and walking, along with generally keeping fit by taking exercise of various sorts (aerobics classes, weight training in gyms, jogging, etc.).

**Table 12.7: Participation in Main Sports/Physical Activities
(% of adults), 1996, 1998 and 1999**

	1996	1998	1999	% Difference 1996-1999
Walking/rambling	23.1	21.8	21.1	-2.0
Swimming	22.0	18.1	17.3	-4.7
Aerobics/keep fit	10.8	10.5	10.4	-0.4
Weight training/ working out	9.8	9.8	10.0	0.2
Cycling	8.9	8.9	8.5	-0.4
Golf	7.9	7.9	7.6	-0.3
Football	5.6	5.4	5.5	-0.1
Jogging	4.6	4.8	4.9	0.3
Badminton	6.2	5.5	4.8	-1.4
Tennis	5.5	4.8	4.5	-1.0
Running	3.2	3.7	3.7	0.5
Squash	3.4	2.7	2.6	-0.8

Source: Target Group Index (TGI), © BMRB International Ltd, 1996, 1998, 1999

Walking is often used as physical recreation by older people who may not participate in any other sport, even swimming. In 1999, 21.1% of adults were active as walkers, but TGI restricts the definition to more challenging walking and climbing. (The survey for Key Note in 2000 found that a much higher percentage of adults 'go for walks' as a weekend leisure activity.)

Swimming is largely a family leisure activity or a holiday pursuit, and is only a competitive sport for a small minority (around 287,000 people are members of swimming clubs). Swimmers in the adult population have declined from well over 20% in the early 1990s, to 17.3% in 1999.

Generally, the evidence points to a core group of fitness-conscious adults who are playing fewer conventional sports, but substituting fitness training for these sporting commitments. The 1990s saw fitness suites installed or improved in most public leisure centres, and these have attracted centre users away from the pools and sports halls.

Running and jogging are back in fashion, with joggers having increased from 4.6% penetration in 1996 to 4.9% in 1996, and runners are up from 3.2% to 3.7% during the same period. Racquet sports are played both competitively and as social or fitness-oriented pursuits, depending on the attitude of the individual. Adult participation has declined for all three (badminton, tennis and squash) in the 1990s. Among the most popular activities, cycling and golf have also declined somewhat in popularity, although not to the same extent as walking/rambling and swimming.

Buying Sports Equipment

The proportion of adults who own keep-fit equipment is now fairly stable, according to TGI, at 15.8% of the population in 1998 and 1999.

Table 12.8: Ownership and Acquisition of Keep Fit Equipment in the Last 12 Months (% of adults), 1996, 1998 and 1999			
	1996	1998	1999
Own keep-fit equipment	16.1	15.8	15.8
Bought in the last 12 months	1.6	2.4	2.3
Amount spent in the last 12 months:			
— under £25	0.4	0.7	0.7
— £25-£49	0.3	0.5	0.5
— £50 or more	0.9	1.0	1.1
<i>Source: Target Group Index (TGI), © BMRB International Ltd, 1996, 1998, 1999</i>			

The number of adults purchasing equipment declined in the mid-1990s, but recovered strongly in 1998 and 1999, reaching 2.3% in the latter year. The number of 'serious' purchasers seems to be better holding its own. In 1999, 1.1% of adults spent more than £50 on home fitness equipment.

Spectator Sports

Spectator sports are dominated by football, which although not increasing in popularity in the long term, has not suffered the declines of other spectator sports. Most other sports have relatively small spectator numbers. For obvious reasons, the dominant exercise activities for amateurs, such as swimming, walking, and keep fit, are not major spectator sports.

**Table 12.9: Leading Spectator Sports
(% of adults who pay to watch), 1996, 1998 and 1999**

	1996	1998	1999	% Difference 1996-1999
Association football	13.3	12.2	12.2	-1.1
Horse racing	3.9	3.4	3.6	-0.3
Cricket	4.4	3.7	3.3	-1.1
Rugby Union	3.6	3.4	3.3	-0.3
Motor racing	3.5	3.1	2.9	-0.6
Boxing	1.5	2.5	2.6	1.1
Greyhound racing	2.5	2.3	2.5	-
Motor cycle racing	2.4	2.0	1.9	-0.5
Stock-car racing	2.4	1.8	1.7	-0.7
Rugby League	2.7	2.0	1.7	-1.0
Tennis	1.8	1.7	1.6	-0.2
Golf	1.6	1.6	1.6	-

Source: Target Group Index (TGI), © BMRB International Ltd, 1996, 1998, 1999

As can be seen from Table 12.9, most of the leading spectator sports have declined in terms of the number of people paying to watch between 1996 and 1999. The largest falls have come from football and cricket, with boxing witnessing the largest increase.

Sport in the Media

In 1999, 32.5% of all adults watched televised football, making it the most popular sport on TV. During the 1990s, football overtook athletics and snooker, although the share of viewing taken by athletics often depends on the existence or otherwise of a major European or world event in that particular year.

Many mainstream sports have seen their consumer penetration falling. Over-commercialism, corruption and drug scandals have taken their toll on many sports, while others simply go out of fashion as televised spectacles, or because there is a lack of serious British contenders for honours.

	Watch on Television		Read About	
	1996	1999	1996	1999
Association				
football	31.1	32.5	21.3	21.0
Snooker	31.6	28.5	5.7	4.8
Athletics	30.5	26.3	8.4	7.0
Motor racing	26.6	26.0	9.1	8.1
Tennis	24.6	22.0	6.6	5.9
Cricket	21.3	19.8	11.0	9.9
Rugby				
Union	24.8	18.4	9.6	7.0
Golf	19.7	18.0	7.0	6.5
Boxing	23.6	16.7	8.8	5.9
Darts	15.3	13.7	1.8	1.4
Rugby				
League	20.0	13.6	6.1	4.2
Motor				
rallying	13.5	12.8	3.4	3.3
Motor-cycle				
racing	12.9	12.2	3.4	3.0
Bowls	12.3	10.5	1.8	1.3
Skating	17.2	10.4	1.6	0.8
Skiing	15.1	9.8	1.6	1.1

Source: Target Group Index (TGI), © BMRB International Ltd, 1996, 1999

Not surprisingly, football is also the sport that most people read about. This is partly a reflection of its popularity, and of the massive coverage that it receives in all the daily and weekend newspapers compared to other sports. Other sports which generate particular interest for newspaper and TV coverage are cricket, rugby and motor racing.

Sporting Events Watched on Television

In June 2001, BMRB Access conducted a survey, on behalf of Key Note, into the sporting events watched on television by adults. The Olympics came out as the most popular event, but many other events are watched by at least half of the population. Only 5% of adults did not watch any of the major sporting events listed in the survey.

**Table 12.11: Sports Events Watched on TV
(% of adults, men and women), 2001**

<i>Question: "Which, if any, of the following sporting events would you watch on television?"</i>			
	All	Men	Women
Olympics	77	79	76
Wimbledon	58	58	59
International football	57	73	43
Cup Finals (FA Cup/Scottish Cup)	55	67	43
The Grand National	48	49	48
London Marathon	47	43	51
Grand Prix (motor racing)	46	62	31
Six Nations (Rugby Union)	43	57	28
Snooker	41	48	34
Boxing (title fights)	34	48	21
None of these	5	3	6

Base: 1,014 adults

Source: BMRB Access/Key Note

A lot of the sporting events included in the survey are watched by considerably more men than women. However, some events are equally popular, or even more popular, with women than men, including the Olympics, Wimbledon and the London Marathon. Only 6% of women said that they did not watch any of the major sports that were listed in the survey, compared to 3% of men. Sports such as rugby, motor racing and boxing, are more of a male preserve — 57% of men said that they watched the Six Nations rugby tournament, compared to 28% of women, and 62% of men said that they watched the Grand Prix, compared to 31% of women.

FORECASTS 2001 TO 2005

The demand side for sports participation will continue to be driven by the private health clubs and the emphasis on keeping fit, rather than playing organised sports. Those who do play sports will be attracted to expensive ones, such as water sports and golf, thus ensuring growth in the costs of consumer participation. However, demographic trends are not particularly favourable — the number of teenagers and those in their 20s is static — and the participation market is expected to grow more slowly than in the late-1990s boom.

Table 12.12: The Forecast UK Sports Participation and Sports Spectating Market (£m), 2001-2005

	2001	2002	2003	2004	2005
Participation [†]	3,750	4,000	4,250	4,450	4,600
Spectating	800	825	800	825	900
Total	4,550	4,825	5,050	5,275	5,500
<i>% change year-on-year</i>	5.2	6.0	4.7	4.5	4.3
<i>† — includes equipment purchases, but not clothing or footwear</i>					
<i>Source: Key Note</i>					

On the supply side for participating in sport, the entry of the sports wear giants as manufacturers of equipment should boost awareness, and many public leisure centres — built in the 1980s — are due for refurbishment, to keep them competitive with the private clubs.

Live spectating continues to be under threat from televised sport, which now pervades more and more homes as well as pubs and cafés, and higher admission prices are being driven up by corporate hospitality. Prices and admissions to football clubs will settle down in the early 2000s, following the spate of new stadium-building during the post-Taylor Report 1990s. Televised sport could itself be reaching its saturation point, particularly for football, with the danger growing of viewer boredom.

SECTION THIRTEEN

GAMBLING

13. Gambling

INTRODUCTION

In the UK, legislation traditionally divides this market into two types of gambling:

- **Betting:** this requires either skill or judgment on the part of the 'punter'. Traditionally, the most important targets for betting have been horse racing, greyhound racing and football matches (including the football pools system). The licensed 'bookmakers' also offer odds on a wide variety of other sports and events.
- **Gaming:** this covers gambling which is dependent on chance and statistical odds. The National Lottery, created in 1994, has become by far the most important type of gaming. Other types of gambling include amusement machines, bingo, casinos, lottery games advertised in newspapers and magazines or on consumer products, and licensed local lotteries, often charitable.

In analysing spending on gambling, it is important to define consumer spending as the amount lost by the punter, rather than the total stake. For example, bingo offers the highest likelihood of a return — around 90% of the average stake is paid back to the regular player — but the amounts it is legal to stake, and the prizes, are limited by law.

For every £1 spent betting on horses, 80% is returned to the punter, and amusement machines and casinos have a similar stake:winnings ratio. At the other end of the scale are charitable lotteries and the football pools, which return less than 33% to the punter. In between is the National Lottery, with around 50% returned.

KEY TRENDS

The structure of the gambling industry is dictated by legal and historical factors, but also by the types of gambling and their associated lifestyles. In the past, the law has discouraged gambling from becoming a social activity, although some deregulation has taken place and bookmakers, for example, now have more freedom to offer comfortable, attractive betting shops. Therefore, formal legislation and the attitudes of governments to gambling continue to shape the market, as in previous eras.

The puritanical attitudes of most of the 20th century were anachronistic by the 1990s, with the National Lottery having made it officially respectable to gamble, albeit on behalf of public causes. Similar state lotteries had already been available in many other countries, but the British took to their National Lottery with particular enthusiasm.

The National Lottery expanded the overall gambling market, but it did damage some types of gambling and their operators. The Government responded by easing the regulations on some types of gambling, allowing operators to advertise or to extend their services to customers (e.g. to offer food and drink).

Most recently, the Government has announced the abolition of betting duty (from October 2001). This comes in response to the growth of offshore betting. Originally developed as a telephone system, online betting using the Internet is increasing, allowing punters to place tax-free bets with offshore companies (many of which are subsidiaries of bookmakers with traditional betting shops in the UK).

Deregulation has attracted more companies to consider investing in casinos or online betting and gaming, which is also growing in importance. However, the general trend in ownership has been for the leisure conglomerates of the 1980s to withdraw from the gambling markets, allowing independent specialists to thrive.

MARKET SIZE

Consumer spending figures from National Statistics show net expenditure on betting and gaming, calculated as the total amount staked, less winnings (i.e. the amounts that consumers have actually spent, by losing money on gambling). Obviously, only legal gambling can be tracked by the official statistics.

In 2000, consumers lost £7.17bn on gambling, showing a 4.2% rise on 1999, to reach a new record. However, growth in the market on a year-on-year basis is volatile.

Table 13.1: The UK Gambling Market by Value (£m), 1996-2000

	1996	1997	1998	1999	2000
Net expenditure (£m) [†]	5,914	6,311	6,859	6,878	7,170
% change year-on-year	-	6.7	8.7	0.3	4.2

[†] — consumer's expenditure, measured as amount staked less winnings (i.e. losses sustained)

Source: National Statistics/Key Note

Table 13.1 only shows the past 5 years (1996 to 2000), and therefore it does not reflect the early impact of the National Lottery on spending, starting from 1994. Gambling expenditure was increased dramatically by the National Lottery. In the first full year of operation (1995), consumers spent 50% more on gambling than they had spent in 1993.

Once the initial excitement wore off, and playing the Lottery became a part of the leisure lifestyle for millions of people, the gambling market resumed its traditional pattern of more gradual, and sometimes volatile, growth. There was some switching of gambling money from existing activities to the Lottery, but essentially the Lottery added substantially to the total amount that consumers were prepared to lose. (To an unquantifiable extent, players of the National Lottery have joined in with a social activity that they may see in part as contributing to the good causes and also as a family activity, associated with watching peak-time television.)

The Lottery has become the largest channel for gambling, as revealed in the Government's *Family Spending Survey*. Table 14.2 reveals the breakdown of gambling as claimed by householders in the UK. Inevitably, *Family Spending* under-estimates the total amounts spent on gambling, since responding to the survey is voluntary. (Further, the survey does not take into account amusement machines and casinos.) However, the survey does reveal the basic impact of the Lottery on the gambling market.

	£ Per Week			% of Total	
	1994/ 1995	1996/ 1997	1999/ 2000	1994/ 1995	1999/ 2000
Lotteries	0.82	2.37	2.30	32.5	65.7
Bookmakers	0.74	0.72	0.70	29.4	20.0
Bingo	0.39	0.46	0.40	15.5	11.4
Football pools	0.57	0.28	0.10	22.6	2.9
Total	2.52	3.83	3.50	100.0	100.0

Source: Family Spending/National Statistics/Key Note

According to *Family Spending*, there was no change in the amounts spent per household on each type of gambling between the 1998/1999 and 1999/2000 surveys.

The following analysis of the gambling sectors discusses the characteristics of each type of gambling in terms of lifestyle elements, as well as government restrictions.

National Lottery

National Lottery tickets are sold through thousands of outlets in major retail sectors such as grocers and newsagents. In other countries, distribution of lottery tickets is more narrowly regulated, but buying them as part of the weekly shopping or daily trip to the newsagent has become part of general shopping in the UK.

The UK's Lottery has been operated by Camelot Group since its inception in 1994. Camelot was re-appointed in 2000 for the following 7-year franchise.

Bookmaking

In the post-Lottery era, bookmakers fared best in retaining their share of the gambling market. Playing the Lottery tended to detract most from bingo and the pools, but betting shops continue to attract the most serious gamblers. Of the estimated £1.6bn spent with bookmakers each year, two-thirds is spent on horse racing, with greyhound racing being the second-largest attraction.

Some deregulation of the betting shops sector has taken place since the late 1990s, allowing them to have amusement machines, to run lottery-style competitions and to advertise themselves. However, these changes are being overtaken by the shift towards telephone and Internet betting, so that the number of shops in the UK continues to decline — from 10,000 in the mid-1990s to around 8,000 in 2000. Around half of these shops are owned by the four largest groups, but this still leaves over 4,000 independent shops in business, although the number is steadily contracting.

Amusement Machines

Family Spending does not include the losses to amusement machines in its analysis of household gambling, but the industry estimates that over £1.5bn is spent annually on gaming machines.

There are around 250,000 machines installed in the UK that offer amusement with prizes. There are strict limits on the amounts that can be staked and won, with a higher tier of 'jackpot' machines permitted in some outlets. Machines are installed in pubs, amusement centres, bingo and other licensed social clubs, betting shops and casinos.

Bingo

Bingo clubs are also known as 'social clubs' for good reason — membership is obligatory to play, and many members enjoy the social aspects of using the clubs as much as the gambling.

The number of clubs fell from over 900 in the mid-1990s to 750 by 2000, partly as a result of the National Lottery depriving clubs of expenditure, but also due to long-term changes in evening leisure. Town centre bingo clubs are often situated in areas now considered dangerous by the older, predominantly female club members, and the trend is towards using larger, purpose-built clubs in out-of-town locations, replacing the many converted cinemas used for bingo. For many club members, the chance to play for jackpots on the amusement machines is as important as the bingo game.

Football Pools

The football pools are played mainly by post or telephone, but deregulation following the launch of the Lottery made it legal to distribute the coupons through shops, and the age limit was reduced from 18 to 16. Playing the pools has much in common with the Lottery, as it is a more remote, potentially less sociable, form of gambling than using bingo clubs, casinos or betting shops.

Since the National Lottery started, household spending on the pools has fallen from 57 pence to 10 pence a week, although the industry estimates spending to be around £300m a year.

Casinos

Casinos take in a gross stake in the UK of over £2.5bn (the 'drop'). However, most of this is spent in the London casinos by a relatively small number of 'high rollers', of whom the majority are not British so the amount is not classified with UK consumer spending. The provincial casinos have a much more modest 'drop'.

Casinos are member-only clubs and are strictly regulated in terms of the number allowed by the Government. For this reason, at the time this Review was published (October 2001), there were only 120 casinos open for business.

INDUSTRY STRUCTURE

The success of the National Lottery produced the largest gambling operator in the UK — the Government-appointed operator Camelot — by virtue of the fact that the appointed company has a monopoly on the largest gambling sector. The 5 years following the launch of the Lottery forced many operators to reconsider their roles if their markets had been affected by Lottery ticket sales.

The trend has been towards specialists in certain types of gambling, moving away from ownership by the leisure conglomerates of the early 1990s. Major companies such as William Hill (bookmaking), Coral Eurobet (bookmaking) and Gala Group (bingo and casinos) are independent, stand-alone specialists, as is Camelot. The leading companies with gambling operations are listed in Table 13.3.

Table 13.3: Leading Companies Involved in the UK Gambling Market, 2001

Company/Group	Sector
Camelot Group PLC	National Lottery licensee
Coral Eurobet PLC	Bookmaking
Gala Group Ltd	Bingo, casinos
Ladbroke [†]	Bookmaking, casinos, pools
Sportech PLC [‡]	Football pools
The Rank Group PLC	Bingo, casinos
Stanley Leisure PLC	Bookmaking, casinos
William Hill Ltd	Bookmaking

† — part of Hilton Group PLC
‡ — formerly Rodime PLC, which bought out Littlewoods Leisure

Source:Key Note

Most of the gambling sectors are polarised around one or two major players and a large number of independents (e.g. with small chains of bingo clubs or bookmakers). For example, there are over 450 bingo clubs owned by small groups or independents.

The recent announcement of the abolition of betting tax and deregulation in casinos has rejuvenated interest in gambling as a potential profitable business to be in. For example, Leisure Parcs, owner of a variety of attractions (formerly owned by First Leisure), has proposed to open six casinos in Blackpool to turn the resort into a British 'Las Vegas', and Bannatyne, a health club company, has plans to open two casinos.

The leading online gambling companies, apart from the online divisions of the major players include:

- Sportingbet.com, which bought SportsBook in 2001
- MGM Mirage, a US firm which plans to take up one of the Isle of Man's three new online casino licences
- paddypower, the Internet business of Power Leisure, Ireland's largest bookmaker
- ukbetting.com
- IG Group, a spread betting specialist.

Horse racing operates as a spectator sport but it is underpinned by betting. The British Horseracing Board supervises the sport. A consortium of stadiums called Go Racing plans, with the Board, to set up a 24-hour horse racing TV channel, at a cost of £400m. The channel will be interactive and offer online betting.

The amusement machine business is now a fragmented one, whereas several leisure conglomerates, such as Rank and Bass, controlled the major players (manufacturers, distributors and operators) until the mid-1990s. Kunick, one of the operators, has sold its French amusement machines business to focus on the UK, with another Kunick division being a health club operator. Leisure Link, another major amusement machine operator, was bought out by Henderson Private Capital in 2001.

MAJOR PLAYERS

Arena Leisure PLC

Arena Leisure PLC is the leading commercial owner and operator of race courses in the UK. (Arena Leisure is second only to the Jockey Club.) Arena owns five racecourses — Lingfield, Royal Windsor, Worcester, Southwell and Wolverhampton — and also has a betting website (Arena Online). Together with Channel 4 and BSkyB, Arena participates in the consortium which allocates broadcasting rights for live horse races.

Financial Results

In the year ending 31st December 2000, turnover for Arena Leisure PLC increased by 61.9%, to £14.4m. The company made a pre-tax loss of £3m, compared to a profit of £203,000 recorded for the previous year.

Camelot Group PLC

Camelot Group PLC obtained the original franchise to run the National Lottery in its first 7 years (to 2001). Following a complicated period of bidding, the company has regained the licence for the next period, beating off the People's Lottery, backed by Richard Branson.

Financial Results

In the year ending 31st March 2001, Camelot Group PLC recorded a 2.1% fall in turnover, to £4.98bn. The company made a pre-tax profit of £49.1m — a 12.3% fall from the previous year.

Coral Eurobet PLC

One of the three largest bookmakers in the UK, Coral Eurobet PLC was originally part of Bass (now Six Continents). It was offered for sale to Hilton Group, but the Government blocked the merger and Coral was bought out

with venture capital backing in 1998. The group has 850 betting shops together with its online subsidiary Eurobet.

Financial Results

In the 52-week period ending 24th September 2000, Coral Eurobet PLC recorded a turnover of £1.33bn and a pre-tax loss of £52.6m. In the 4-week period to 25th September 1999, turnover for the company was £597m and pre-tax losses were £12.9m. The company was known as Coral Group Holdings PLC until 2nd May 2000.

Gala Group Ltd

Another buyout from Bass in the late 1990s, Gala Bingo went on to acquire the Ritz and Riva chains of bingo clubs as the sector consolidated. Gala reached a total of 174 clubs, overtaking the former leader Mecca (147 clubs), owned by Rank Group in 2000.

In January 2001, Gala Group expanded its operations by acquiring the Casino division of Hilton Group. Gala is retaining 28 of the 29 casinos and selling Maxim's, the London casino, in order to concentrate on the provincial market.

Financial Results

In the 24-week period ending 30th September 2000, Gala Group Ltd recorded a turnover of £119.9m and a pre-tax profit of £3.2m.

Hilton Group PLC

Known as Ladbroke Group until 1999, the company was renamed to Hilton Group PLC to underline its new focus on international hotels. The Ladbroke division remains the market leader in bookmaking, with around 1,900 betting shops in the UK, while the Casinos division was sold to Gala in 2001 for £235m.

Ladbroke has extensive gambling interests outside the UK, and online betting is a current focus of investment. A move into the Swedish betting market is planned, depending on deregulation in the country.

In the UK, Hilton Group will be investing £40m in its betting shops over the next 2 years (2001 to 2003) to take advantage of deregulation. Over 40 sites in city centres will become 'superstore' betting shops.

Financial Results

In the year ending 31st December 2000, turnover for Hilton Group PLC fell by 8.1%, to £3.95bn. Pre-tax profits for the company increased by 20.4%, to £196.4m.

London Clubs International PLC

The largest of the London casino operators, London Clubs International PLC has recently sold its Las Vegas casino in order to concentrate on UK developments, taking advantage of casino deregulation.

Financial Results

In the 53-week period ending 2nd April 2000, London Clubs International PLC recorded a turnover of £144.7m and a pre-tax profit of £14.1m. In the 52-week period to 28th March 1999, the company recorded a turnover of £143.7m and a pre-tax profit of £12.3m.

The Rank Group PLC

Until recently an extremely diverse leisure group, The Rank Group PLC has made substantial disposals (its holiday business, amusement machines, nightclubs, etc.) but remains important in the gambling market through the Mecca bingo clubs and the UK's largest group of casinos. The main casino brand is Grosvenor, but Rank has recently rebranded its Manchester casino as Hard Rock, using the name of its international restaurant chain.

Financial Results

In the year ending 31st December 2000, turnover for The Rank Group PLC fell by 12.1%, to £1.79bn. The company made a pre-tax loss of £341.1m, compared to a pre-tax profit of £107.6m in the previous year.

Sportech PLC

Sportech PLC (formerly known as Rodime PLC) acquired the UK's largest football pools operator from The Littlewoods Organisation in 2000. The only significant competitors in football pools are Vernons (owned by Hilton Group) and Zettors, an independent company.

Financial Results

In the 65-week period ending 31st December 2000, Sportech PLC achieved a turnover of £63m and a pre-tax profit of £26.7m. In the 52-week period ending 30th September 1999, the company recorded a pre-tax loss of £1.2m. Turnover figures for the latter financial year were not available at the time this Review was published (October 2001). The company was known as Rodime PLC until 15th September 2000.

Stanley Leisure PLC

The fourth-largest company in bookmaking is Stanley Leisure PLC, with around 600 betting shops and an acquisitive policy. Stanley also owns 31 provincial casinos and is recruiting 400 new staff to expand its Casino division.

Financial Results

In the year ending 30th April 2000, turnover for Stanley Leisure PLC increased by 22%, to £571.4m. Pre-tax profits for the company reached £28.5m — a 21.4% increase over the previous year.

William Hill Ltd

Like Coral, the bookmaker William Hill was bought out from previous owners in the late 1990s. It has over 1,500 shops in the UK, putting it second only to Ladbroke.

Financial Results

In the year ending 28th December 1999, turnover for William Hill Ltd increased by 4%, to £1.88bn. The company made a pre-tax loss of £27.9m, compared to a pre-tax profit of £17.7m in the previous year.

Advertising

Camelot continues to spend more than all other gambling companies combined, with a main media advertising expenditure total of £27.7m in the year ending June 2001. In addition to advertising the main Lottery competition, Camelot's advertising campaigns for individual National Lottery products is also significant, e.g. £3.5m for Lottery Instants and £3.3m for the Thunderball competition.

Table 13.4: Main Media Advertising Expenditure by Gambling Companies (£000), Year to June 2001

	£000
Camelot/National Lottery	
Camelot: National Lottery	13,168
Camelot: National Lottery Instants	3,547
Camelot: National Lottery Thunderball	3,342
Camelot: National Lottery Big Draw 2001	2,906
Camelot: National Lottery Extra	2,746
Camelot: National Lottery Superdraw	1,448
Other Camelot advertising	546
Total	27,703

Table continued overleaf...

Table 13.4: Main Media Advertising Expenditure by Gambling Companies (£000), Year to June 2001

...table continued from previous page

Bingo[†]	£000
Gala Bingo	2,069
Generic (National Game, National Bingo Week)	1,635
Mecca	613
Bookmakers/Betting Services/ Pools	
William Hill	1,890
Ladbrokes	1,753
Victor Chandler	1,376
Coral	1,295
Surrey Sports	1,034
Tote	919
Bet Direct	763
Paddy Power	759
Littlewoods Pools	609
Sporting Index	606
IG Index	417
Stanley Leisure	370
Other bookmakers	2,609
Total	14,400

† — largest campaigns; sector totals not available

Source: ACNielsen MMS

Online betting has contributed at least as much as deregulation to spending by other gambling sectors. In addition to campaigns for Bet Direct, Paddy Power, Sporting Index, etc., the online services of the large bookmakers are included under their corporate totals (i.e. for William Hill, Ladbroke, etc.). Gala is currently the main bingo advertiser, but there are also important regular generic campaigns by the bingo trade association (e.g. for the National game).

BUYING BEHAVIOUR

National Lottery

The most noticeable change in playing the National Lottery has been among those claiming to play every Saturday. In the 2000 Target Group Index (TGI), 53% of adults said that they played the National Lottery every Saturday, compared to 50.9% in 2001. The remaining frequencies — for both Saturdays and Wednesdays — have changed little between these two years.

Table 13.5: Participation in the National Lottery by Frequency (% of adults), 2000 and 2001

Frequency	2000		2001	
	On a Wednesday	On a Saturday	On a Wednesday	On a Saturday
Every week	31.2	53.0	31.5	50.9
2 to 3 times a month	4.4	6.2	4.9	6.9
Once a month	2.6	3.1	3.2	3.7
Once every 2 to 3 months	2.8	3.9	3.0	3.7
2 to 3 times a year	1.5	2.6	1.8	2.7
Less often	22.4	17.6	21.4	17.6
This week was first time	0.0	0.1	0.0	0.0
Played before but do not play now	3.7	6.2	3.6	6.2
Never	19.5	13.7	18.5	13.6

Source: Target Group Index (TGI), © BMRB International Ltd, 2000, 2001

Other Forms of Gambling

An examination of the TGI data for participation in gambling since 1994 reveals the transformation that has stemmed from the National Lottery. Football pools appear to have lost out the most to the National Lottery — in 1994, 26.9% of adults said that they played the football pools, falling to 6.4% in 2001. Betting at a betting shop has also fallen, from 7.7% of adults in 1994, to 3.2% in 2001, although this may be due in part to the increasing popularity of online betting.

Table 13.6: Participation in Selected Forms of Gambling (% of adults), 1994, 1999 and 2001			
	1994	1999	2001
National Lottery Instants	-	15.7	15.4
Betting at a betting shop	7.7	6.7	3.2
Betting by telephone	0.5	0.6	0.5
Betting at a racecourse	2.0	1.6	0.4
Football pools	26.9	9.2	6.4
Bingo (at a club)	5.8	6.1	3.1
Other scratch cards/instant games	-	4.2	2.2
Gaming machines	-	8.7	2.5
Newspaper bingo	-	5.6	3.6
<i>Source: Target Group Index (TGI), © BMRB International Ltd, 1994, 1999, 2001</i>			

The other major change since 1994 has been the growth of gambling using new technologies — first telephone betting, and then betting online. However, the latter type of gambling is still in its infancy, and social gambling — bingo, casinos, and even syndicates playing the Lottery or the pools — is still important to many consumers.

FORECASTS 2001 TO 2005

Much depends on the action the Government will take following the Gambling Review Board recommendations in 2001. Among the most significant for the market are:

- use of credit cards for gambling to be allowed (a facility already available for Internet gambling)
- abolition of the 24-hour rule, which provides a day's cooling-off period between joining, and starting to play in, a casino or bingo club
- deregulation to allow casinos to offer alcohol and live entertainment (as per Las Vegas) and to have gaming machines with unlimited prizes
- for bingo, a lifting of the limits on prize money
- less of a restriction on opening new gambling outlets (casinos, bingo clubs, betting shops)

In addition to these promised reforms, it has already been decided by the Government to abolish betting duty (levied on bookmakers, separate from gaming duty) in October 2001, thus enabling bookmakers to offer tax-free betting. Ladbroke's is forecasting that the Grand National in 2002 will be the largest to date. This move by the Government was announced by the Chancellor of the Exchequer in the Budget in March 2002, in an effort to stop the increasing popularity of offshore gambling.

Despite the benefits of deregulation, however, the total consumer spend on gambling will be held back by dwindling interest in the National Lottery, whose revenues are declining by 2% a year.

Given the recommendations made by the Gambling Review Board, Key Note forecasts fairly strong growth for gambling in the next 5 years. If the recommendations are implemented, it will be easier to gamble more money in casinos, betting shops and bingo clubs, and it will also further the growth of online gambling. (Industry experts generally agree that online gambling is a new market because it appeals to previous non-gamblers.)

Table 13.7: The Forecast UK Gambling Market by Value (£m), 2001-2005

	2001	2002	2003	2004	2005
Net expenditure (£m)	7,240	8,050	8,500	9,050	9,450
% change year-on-year	1.0	11.2	5.6	6.5	4.4
<i>Source: Key Note</i>					

SECTION FOURTEEN

**STRENGTHS, WEAKNESSES,
OPPORTUNITIES AND THREATS**

14. Strengths, Weaknesses, Opportunities and Threats

STRENGTHS

- Consumer confidence is currently high, and in this environment, UK consumers have been spending more on leisure — both absolutely and relative to their total spending — for many years.
- The typical British consumer is open to experimentation in leisure, although new types of leisure activity (e.g. health clubs, karaoke and online betting) sit alongside the traditional (e.g. country walks, cosy pubs and bingo).
- Significant investment has been made since the mid-1990s to encourage 'going out' leisure: Millennium projects, other than projects funded by the National Lottery; private-sector rejuvenation of town centres; the creation of multipurpose leisure complexes where entertainment is linked to shopping, sport and catering.
- The average home is now well-equipped to cater for long hours of leisure for the 'stay-at-homes'. Rising property values have encouraged home improvement for entertaining at home, and technology continues to offer tempting leisure hobbies.

WEAKNESSES

- After a 5-year run of consumer confidence, 2001 presents tremendous uncertainties for the future at many levels (economic, political and personal safety).
- Many sectors of domestic tourism and leisure have been damaged, possibly permanently, by the combined effects of the foot and mouth epidemic, the floods of 2000 and the various railway accidents in recent years, as well as general environmental unease.
- On top of the current, temporary set of problems, the discretionary nature of leisure spending means that consumers can quickly curtail their spending on leisure to 'tighten their belts'.
- The long-term trend is for consumers to spread their spending and time over an ever wider range of leisure activities, both new and old, thus dividing the cake into ever thinner slices.

OPPORTUNITIES

- In reaction to the many negative events of 2000 and 2001, interest rates have been brought down to historic lows, making borrowing for investment more attractive than for many years.
- Reviews of the legislation on gambling and on alcoholic drinks distribution will create many opportunities for leisure investment in these markets.
- Technology continues to provide opportunities to improve the quality of leisure experiences, both within the home (e.g. home cinema and MP3), and outside it (e.g. interactive exhibits, spectacular shows, etc.).
- There is still room for experimentation with segmenting the markets even further to cater for specific age groups and tastes in leisure.

THREATS

- The terrorist attacks and the aftermath in 2001 could make people nervous about leaving their homes to pursue leisure or travel abroad.
- Following such a long period of growth for the UK, many economists are convinced that a recession is inevitable.
- Many leisure industries depend on a contribution from the public sector as well as private investment, and either one of the sources can be withdrawn (e.g. transport infrastructure, planning permission and institutional investment).
- Fashion is increasingly a factor in leisure, meaning that leisure activities are in danger of becoming 'passé', or 'last year's thing'.

SECTION FIFTEEN

THE FUTURE

15. The Future

INTRODUCTION

This view of future trends, which will affect the UK leisure markets, must be divided into two sections: an assessment of the impact of the extraordinary events of 2001, and a longer term assessment of more gradual changes in the marketplace.

2001: THE VIEW FROM EARLY OCTOBER

Assessing the future of UK consumer spending on leisure in the immediate aftermath of the terrorist attacks on New York and Washington that took place on 11th September 2001 is neither easy nor, in some ways, does it seem relevant. The situation a month after the US attacks is that the world is waiting with baited breath to see the nature of the response from an alliance of countries claiming to represent 'civilisation', and the possible counter-attacks by terrorist organisations.

At a prosaic level, the vulnerability of city centres and public transport was demonstrated fully by the live televised pictures from Manhattan, and airlines were the first to suffer. Swissair was the first, possibly of many airlines, to abruptly cease operations. Many airlines were already in financial difficulty before the US attacks, due partly to the growth of low-cost competition. Indeed, an outstanding development of the early 2000s has been the UK consumer's access to an unprecedented choice of cheap flights — through airlines such as Ryanair, Go and easyJet — for independent holiday planning and short breaks by air, both within and outside the UK.

The depth of the psychological impact on people who might already be nervous of flying is impossible to predict, but it seems certain that a new type of fear will linger. Beyond that, the existing problems associated with flying — increasing delays at airports, the need for extra security, and lower standards of service in a competitive market — will make flying a less enjoyable experience for years to come. One obvious result might be to encourage consumers to spend more on domestic local leisure and holidays, but this would be too much of an unknown to predict definitely.

The shock of the September terrorist attacks will eventually subside. Unfortunately, for the UK this will simply mean having to look back on other terrible events which marred the view of a 'leisure society' in the 12 months running up to September 2001. These events included:

- The **foot and mouth epidemic**, which wreaked unprecedented damage on UK 'leisure and recreation' as a lot of the countryside was out of bounds to British and foreign visitors alike for a number of months.
- The **severe flooding** across southern and central England which not only disrupted thousands of lives but was a possible portent of worse to come. (Some experts warn that global warming will cause even more flooding.)

- The **railway accidents** which severely damaged the Government's plans to turn back the clock on the decline of public transport. One consequence of this has been busier roads, which could in turn discourage many people from bothering to make leisure trips if they already spend many hours in the week commuting to work.
- The failure to establish peace in Northern Ireland, meaning that the threat to mainland Britain from **terrorist attacks** could be as high as ever, adding to the general air of paranoia.

THE VIEW BEYOND 2001

In a period in which a possible world war and global economic 'meltdown' are being discussed as real prospects, it is difficult to disentangle the events of 2000/2001 from the view of the future. Equally, however, it is important for this Review to assess the whole range of factors that will impact on the UK consumer's leisure choices.

The economic prospects featured a confusing mixture of statistical indicators in late 2001. Building societies were disagreeing on whether house prices were still rising, and while retail sales and consumer spending generally continued to grow, some retailers (e.g. of alcoholic drink) noted less enthusiasm in the public. The answer may be that some consumers are reacting to the gloomy scenario of 2001 by cutting back on their expenditure, while others are seeking some light relief through leisure activities.

Fears of unemployment could have a serious effect on leisure if parts of the economy go into recession —the commercial media (due to a downturn in advertising), transport and some manufacturing sectors were already struggling before September 2001. Persuading reluctant consumers to spend on leisure could lead to price wars similar to those seen in High Street sectors such as clothing. However, low inflation or even deflation seen in some markets such as clothing and household goods is based on imports from low-wage countries.

The deflationary trend is part of the globalisation of production in many industries which is yet another area of controversy in the early 2000s. Its impact in future could include influential groups of consumers making more 'political' choices in where they shop or how they spend their leisure time. At a more basic level, globalisation threatens manufacturing and distribution jobs in developed countries such as the UK, meaning that more and more people will either be under-employed or work in services industries (ironically, led by leisure and tourism), creating another dimension to the choice of leisure activities outside work.

A SILVER LINING?

Almost forgotten among the various disasters of 2001 was the fact that the 'dotcom' revolution of the late 1990s entered a swift downturn, and the telecommunications sector also had a dramatic loss of confidence. The immediate impact was felt on jobs at Internet companies, but the more important implication is the 'e-economy' may not, after all, come to dominate lifestyles in the way once predicted.

For leisure, which has so much to do with how people spend their time and energy, as well as money, this means that the balance has, at least temporarily been restored between the attractions of digital home entertainment (on-demand TV and video, the Internet as a hobby, downloading music on MP3, etc.) and the more traditional activities — going out for the evening, 'inclusive' family activities and shopping as an enjoyable pastime.

Leisure as defined in this Review comprises so many alternative activities that downturns in one sector often counter-balance downturns in another. The events of the past 18 months (since early 2000) may even have drawn consumers' attention back to the joys of activities that appeared to be under threat, e.g. walks in the countryside, reading newspapers as a source of news and opinion, and even making journeys by train or aeroplane to avoid traffic jams. The dark clouds of 2001 may turn out to have a silver lining, but the exact direction that consumers will take in response to the turbulence is hard to predict.

MARKET FORECASTS

In the wake of 2001's traumatic events, it would be too easy to get carried away when it comes to making forecasts for any part of the UK economy. On the positive side, the following basic assumptions are made for the next 5 years:

- investment in the service economy will pick up on the back of very low interest rates to stimulate the UK (and US) economies
- inflation appears to have been conquered enough to predict price stability over the next few years (barring a dramatic change in crude oil prices)
- employment opportunities are more flexible than ever, although low wages will continue to characterise many leisure sectors
- house prices will stabilise, at worst, providing consumers with confidence to spend their income on leisure goods and services.

Despite these positive underlying factors, Key Note is forecasting that growth in the next 5 years will indeed be lower than the 1996 to 2000 period. A stable level of growth is forecast for the total leisure market, varying only between 4% and 6% a year, always assuming that inflation stays at or below this level during this period.

The individual markets are ranked according to size in 2001. By 2005, some of the rankings will have changed, but the overall picture will be similar to 2001. Some of the markets are more inclusive than others (e.g. sporting activities excludes spending on sports wear, in order to discard the fashion element). Nevertheless, the broad position for the next 5 years is that consumers will channel far more into buying meals and drinks — when going out for leisure — and on DIY and gardening (in-home leisure) than on any other choices for using disposable income.

Table 15.1: The Forecast UK Leisure and Recreation Market by Sector by Value (£m), 2001-2005

	2001	2002	2003	2004	2005
Restaurants/fast food	15,250	16,000	17,250	18,000	19,000
DIY and gardening	12,650	13,350	14,450	15,600	16,500
Public houses [†]	12,250	12,300	12,450	12,600	12,650
Reading materials	7,900	8,100	8,350	8,850	9,000
Gambling	7,240	8,050	8,500	9,050	9,450
Home viewing	7,700	8,200	8,400	8,600	8,750
Sporting activities	4,550	4,825	5,050	5,275	5,500
Home listening	2,900	2,950	3,050	3,250	3,350
Short breaks	2,750	3,050	3,600	3,900	4,275
Games	1,150	1,410	1,465	1,400	1,540
Cinemas and theatres [‡]	975	1,085	1,150	1,200	1,240
Total	75,315	79,320	83,715	87,725	91,255
<i>% change year-on-year</i>	-	5.3	5.5	4.8	4.0
<i>† — alcoholic drinks sales only (meals/soft drinks included with restaurants/fast food)</i>					
<i>‡ — box office revenue only</i>					
<i>Source: Key Note</i>					

SECTION SIXTEEN

FURTHER SOURCES

16. Further Sources

Associations

Advertising Association
'to represent the common interests of all sides of the UK advertising business'
 15 Wilton Road
 London, SW1V 1NJ
 Telephone:020-7828 2771
 Fax:020-7931 0376
<http://www.adassoc.org.uk>

Association of British Travel Agents Ltd (ABTA)
'interests of travel agents and tour operators in Great Britain and Ireland; administration of codes of conduct; administration of tour operators' bonds and their utilisation as public protection in the event of financial failure; administration of funds for compensation of holidaymakers in case of financial failure by retail travel agent'
 68-71 Newman Street
 London, W1P 4AH
 Telephone:020-7637 2444
 Fax:020-7637 0713
<http://www.abtanet.com>

Arts & Business
'helps the arts to benefit from the professional skills and financial support of the corporate sector'
 Nutmeg House
 60 Gainsford Street
 London, SE1 2NY
 Telephone:020-7378 8143
 Fax:020-7407 7527
<http://www.absa.org.uk>

Arts Council of Great Britain
'a government body which produces an annual report into arts funding and income, with details of consumer usage of the arts'
 14 Great Peter Street
 London, SW1P 3NQ
 Telephone:020-7333 0100
 Fax:020-7973 6590
<http://www.artscouncil.org.uk>

Association of Landscape Management
'the development, maintenance and management of recreational and ornamental amenities; the Association is mainly composed of representatives of local authorities, but also includes outside contractors and students'
 38 Highfield Drive
 Birstall
 Batley
 West Yorkshire, WF17 9BG
 Telephone:01924-470292

Association of Leading Visitor Attractions
'to represent the country's major visitor attractions on matters which concern the effectiveness of the tourism industry'
 4 Westminster Palace Gardens
 London, SW1P 1RL
 Telephone:020-7222 1728
 Fax:020-7222 1729
<http://www.alva.org.uk>

Audit Bureau of Circulations
'auditing, collection and publication of press circulation figures for national and regional newspapers, consumer magazines and specialised journals'

Saxon House
211 High Street
Berkamstead
Hertfordshire, HP4 1AD
Telephone:01442-870800
Fax:01442-877408
<http://www.abc.org.uk>

Betting Office Licencees Association
'for bookmakers'
3a Lower James Street
London, W1R 3PN
Telephone:020-7434 2111
Fax:020-7434 0444

Brewers & Licensed Retailers Association
'to represent and assist the UK brewing industry and public house owners'
42 Portman Square
London, W1H 0BB
Telephone:020-7486 4831
Fax:020-7935 3991
<http://www.blra.co.uk>

British Amusement Catering Trades Association (BACTA)
'to represent the amusement machine industry including manufacturers, distributors, operators and arcade owners'
BACTA House
Regent's Wharf
6 All Saints Street
London, N1 9RQ
Telephone:020-7713 7144
Fax:020-7713 0446
E-mail:glancaster

British Audio Dealers Association
'to promote hi-fi; to improve specialist hi-fi retail standards'

PO Box 229
Redhill
Surrey, RH1 1YG
Telephone:01737-760008
Fax:01737-760450
<http://www.bada.co.uk>

British Casino Association Ltd
'representing the interests of the casino industry in Great Britain'
29 Castle St

Reading
Berkshire, RG1 7SB
Telephone:0118 958 9191
Fax:0118 959 0592
<http://www.british-casinos.co.uk>

British Film Institute (BFI)
'development of the art of film and television; promote public appreciation of it as an art form and record'

21 Stephen Street
London, W1P 2LN
Telephone:020-7255 1444
Fax:020-7436 7950
<http://www.bfi.org.uk>

British Hardware & Housewares Manufacturers' Association
'collection and publication of statistics from members'

Brooke House
4 The Lakes
Bedford Road
Northampton
Northamptonshire, NN4 7YD
Telephone:01604-622023
Fax:01604-613252
www.bhhma.com

British Hardware Federation
'retailers of hardware, ironmongery, housewares, garden products, DIY tools and building products'

225 Bristol Road
Edgbaston
Birmingham, B5 7HD
Telephone:0121-446 6688
Fax:0121-446 5215
E-mail:bhf@bhfgroup.demon.co.uk

British Hospitality Association
'to create the best possible climate for the hotel and catering industry; to monitor proposed UK and EU legislation and to advise members upon it'

Queens House
 55-56 Lincoln's Inn Fields
 London, WC2A 3BH
 Telephone:020-7404 7744
 Fax:020-7404 7799
<http://www.bha-online.org.uk>

British Phonographic Industry Ltd
'record industry organisation'
 25 Savile Row
 London, W1X 1AA
 Telephone:020-7287 4422
 Fax:020-7287 2252
<http://www.bpi.co.uk>

British Radio and Electronic Equipment Manufacturers' Association (BREMA)
'interests of manufacturers of broadcast radio and television receivers and allied equipment'
 Landseer House
 19 Charing Cross Road
 London, WC2H 0ES
 Telephone:020-7930 3206
 Fax:020-7839 4613
<http://www.brema.org.uk>

British Sports and Allied Industries Federation Ltd
'a Federation of sports associations; it publishes trade statistics and provides library/research services to non-members'
 Federation House
 National Agricultural Centre
 Stoneleigh Park
 Warwickshire, CV8 2LG
 Telephone:024-7641 4999
 Fax:024-7641 4990

- British Tourist Authority
'publishes a number of research publications and provides an information service'
- The English Tourism Council
'to support the business of tourism'
 Thames Tower
 Black's Road
 Hammersmith
 London, W6 9EL
 Telephone:020-8846 9000
 Fax:020-8563 0302
<http://www.bta.org.uk>

British Toy & Hobby Association Ltd
'publication of statistics on the UK toy and hobby industries'
 80 Camberwell Road
 London, SE5 0EG
 Telephone:020-7701 7271
 Fax:020-7708 2437
<http://www.btha.co.uk>

British Video Association
'to represent copyright-owning producers and distributors of prerecorded video cassettes'
 167 Great Portland Street
 London, W1N 5FD
 Telephone:020-7436 0041
 Fax:020-7436 0043
<http://www.bva.org.uk>

Broadcasters' Audience Research Board (BARB)
'the television audience research co-ordinating body jointly owned by the BBC and ITV to measure television viewing in the UK and to provide television audience appreciation data'
 18 Dening Street
 London, W1R 9AF
 Telephone:020-7529 5531
<http://www.barb.co.uk>

Camping & Caravanning Club Ltd
*'the promotion and servicing of the
 pastime of mobile recreational
 camping and caravanning'*
 Greenfields House
 Westwood Way
 Coventry, CV4 8JH
 Telephone:01203-694995
 Fax:01203-694886

Cinema Advertising Association Ltd
*'for cinema advertising contractors in
 the UK and Republic of Ireland'*
 12 Golden Square
 London, W1R 3AF
 Telephone:020-7534 6363
 Fax:020-7534 6464

CIPFA (Chartered Institute of Public
 Finance and Accountancy)
*'professional accountancy body for
 public services, both public and
 private sectors, providing education
 and training in accountancy and
 financial management and to set and
 monitor professional standards'*
 3 Robert Street
 London, WC2 6BH
 Telephone:020-7543 5600
 Fax:020-7543 5700
<http://www.cipfa.org.uk>

Commons, Open Spaces and
 Footpaths Preservation Society (Open
 Spaces Society)
*'to create and conserve common
 land, village greens and open spaces
 and rights of public access, in town
 and country in England and Wales'*
 25a Bell Street
 Henley-on-Thames
 Oxfordshire, RG9 2BA
 Telephone:01491 573535
<http://www.oss.org.uk>

Confederation of Aerial
 Industries Ltd
'for the aerial and satellite industry'
 Fulton House Business Centre
 Fulton Road
 Wembley Park
 Middlesex, HA9 0FT
 Telephone:020-8902 8998
 Fax:020-8903 8719
<http://www.cai.org.uk>

Countrywide Holidays Association
*'to organise walking and country
 holidays throughout the UK and
 worldwide'*
 Miry Lane
 Wigan
 Lancashire, WN3 4AG
 Telephone:01942 823430
 Fax:01942 823430
<http://www.countrywide-walking.org>

English Sports Council
*'a government-funded body to
 promote sports'*
 16 Upper Woburn Place
 London, WC1H 0QP
 Telephone:020-7273 1500
 Fax:020-7383 5740
<http://www.english.sports.gov.uk>

Federation of Multiple DIY Retailers
 c/o Bunkers
 7 The Drive
 Hove
 East Sussex, BN3 3JS
 Telephone:01273-329797

Food and Drink Federation
*'to represent, promote and further
 the interests of the UK food
 manufacturing industry with
 government, EU institutions and
 other decision-making bodies'*
 6 Catherine Street
 London, WC2B 5JJ
 Telephone:020-7836 2460
 Fax:020-7836 0580
<http://www.foodfuture.org.uk>

Food, Drink & Tobacco Federation
Confederation House
84-86 Lower Bagget Street
Dublin 2
Republic of Ireland
Telephone:00-3531 660 1011
Fax:00-3531 660 1717

Independent Television Commission
'produces data on the structure of the terrestrial, cable and satellite television services, including trends in cable connection, franchises awarded, cable telephony statistics, homes connected and bypassed by cable, number and type of terrestrial services, etc.'
33 Foley Street
London, W1P 7LB
Telephone:020-7255 3000
Fax:020-7306 7800
<http://www.itc.org.uk>

Independent Theatre Council (Ltd)
'professional management and working practices in the sphere of small- and middle-sized touring and venue-based theatre companies'
12 The Leathermarket
Weston Street
Crosby Row
London, SE1 3ER
Telephone:020-7403 1727
Fax:020-7403 1745
<http://www.itc-arts.org>

Institute of Entertainment & Arts Management
'for managers and managements through local government, commercial and subsidised sectors of the arts, entertainment and related leisure interests'
9 Bushetts Grove
Merstham
Redhill
Surrey, RH1 3DX
Telephone:01737-644432
Fax:01737-644432

Institute of Leisure and Amenity Management
'representing the public, private and voluntary sectors of leisure and sports centres, arts and entertainment complexes, parks, gardens and playgrounds, museums, tourist attractions, health and fitness clubs, countryside and recreation'
ILAM House
Lower Basildon
Reading
Berkshire, RG8 9NE
Telephone:01491-874800
Fax:01491-874801
<http://www.ilam.co.uk>

Institution of Sports & Recreation Management
'for those involved in sport and recreation facility management and operation (including swimming baths)'
36-38 Sherrard Street
Melton Mowbray
Leicestershire, LE13 1XJ
Telephone:01664-565531
Fax:01664-501155
<http://www.isrm.co.uk>

Institute of Sports Sponsorship (ISS)
'for commercial sponsors of sport'
Warwick House
25-27 Buckingham Palace Road
London, SW1P 0PP
Telephone:020-7233 7747
Fax:020-7828 7099
<http://www.sports-sponsorship.co.uk>

Leisure & Outdoor Furniture Association
PO Box 233
Redhill
Surrey, RH1 4YU
Telephone:01737-644016
Fax:01737-644988
<http://www.lofa.com>

Leisure Studies Association
'an independent body of researchers, planners, policy makers, administrators and practitioners interested in leisure issues'
 Chelsea School
 University of Brighton
 Eastbourne
 East Sussex, BN20 7SP
 Telephone:01323-640357
 Fax:01323-644641
 E-mail: 100722.2234@compuserve.com

National Association of Bookmakers Ltd
 PO Box 242
 East Molesey
 Surrey, KT8 2WE
 Telephone:020-8941 8818
 Fax:020-8941 5692

National Association of Independent Travel Agents Ltd
 Kenilworth House
 79-80 Margaret Street
 London, W1N 7HB
 Telephone:020-7323 3408
 Fax:020-7323 5189

Outdoor Industries Association
'to promote interests of retailers and manufacturers in the outdoor leisure industry'
 Morritt House
 58 Station Approach
 South Ruislip
 Middlesex, HA4 6SA
 Telephone:020-8842 1111
 Fax:020-8842 0090
<http://www.go-outdoors.org.uk>

Periodical Publishers Association
'interests of the magazine publishing industry'
 Queens House
 28 Kingsway
 London, WC2B 6JR
 Telephone:020-7404 4166
 Fax:020-7404 4167
<http://www.ppa.co.uk>

Pool Promoters Association
'to co-ordinate dealings with government and football authorities; to deal generally with enquiries from the public and the media'
 100 Old Hall Street
 Liverpool, L3 9TD
 Telephone:0151-227 4181
 Fax:0151-227 2584

Publishers Association
'to represent interests of UK publishers in books, book-related material and journals to governments, other bodies in the trade and the public at large'
 1 Kingsway
 London, WC2B 6XF
 Telephone:020-7565 7474
 Fax:020-7836 4543
<http://www.publishers.org.uk>

Radio Advertising Bureau
'the trade marketing department for the whole commercial radio industry'
 77 Shaftesbury Avenue
 London, W1V 7AD
 Telephone:020-7306 2500
 Fax:020-7306 2505
<http://www.rab.co.uk>

Radio Authority
'information on radio licence awards, ILR/INR stations, press releases; annual report and pocket book'
 Holbrook House
 14 Great Queen Street
 Holborn
 London, WC2B 5DG
 Telephone:020-7430 2724
 Fax:020-7405 7062
<http://www.radioauthority.org.uk/>

Radio Joint Audience Research Ltd (RAJAR)
'responsible for the audience research subscribed to by the BBC and the Association of Independent Radio Companies'
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 Telephone:020-7584 3003
 Fax:020-7589 4004

Royal Television Society
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 Holborn Hall
 100 Gray's Inn Road
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 Telephone:020-7430 1000
 Fax:020-7430 0924
<http://www.rts.org.uk>

Scottish Association of Directors of Leisure Services
'to promote recreation and leisure services within local authorities in Scotland'
 c/o Arts & Recreation Dept
 Aberdeen City Council
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 Broad St
 Aberdeen, AB10 1XJ
 Telephone:01224 522472
 Fax:01224 648256

Scottish Countryside Activities Council
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 Telephone:01463-235720
 Fax:01463-235720

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- Televisual

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<http://www.ab-europe.co.uk/abe>

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- Golf Monthly
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- Shooting Times & Country Magazine
- Sporting Gun
- Yachting & Boating World

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Fax:020-7420 6103
<http://www.theBookseller.com>

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Fax:020-7306 7017
<http://www.bjphoto.co.uk>

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Fax:020-77505 8050
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Fax:0161-785 3131
<http://www.worldsfair.co.uk>

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 Fax:01322-667633
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 The Good Book Guide
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 Fax:020-7490 9909
<http://www.gbgonline.com>
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 - Leisure Management
 - Leisure Opportunities
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 Portmill Lane
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 Fax:01462-433909
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 Marine House
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- The Leisure Manager
 Institute of Leisure & Amenity
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 Lower Basildon
 Reading
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 Fax:01491-874801
<http://www.ilam.co.uk>

Leisure Painter
The Artist Publishing Co. Ltd
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Leisure, Recreation & Tourism
Abstracts
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Fax:01491-829198
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 - Pro Sound News Europe
 - Studio Sound
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- Miller Freeman Entertainment Plc
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<http://www.prostudio.com>

Museums in Britain Magazine
McMillan-Scott PLC
5th Floor
Quay House
Quay Street
Manchester, M3 3JE
Telephone:0161-832 6000
Fax:0161-832 4176

New Theatre Quarterly
Cambridge University Press
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Telephone:01223-312393
Fax:01223-315052

Screen Digest
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British Film Institute
21 Stephen Street
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Telephone:020-7255 1444
Fax:020-7436 7950
<http://www.bfi.org.uk>

British Performing Arts Yearbook
Rhinegold Publishing Ltd
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London, WC2H 8EH
Telephone:020-7333 1762
Fax:020-7333 1769
<http://www.rhinegold.co.uk>

British Theatre Directory
Richmond House Publishing Co. Ltd
Douglas House
3 Richmond Buildings
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Telephone:020-7437 9556
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British Toy and Hobby Association Ltd
80 Camberwell Road
London, SE5 0EG
Telephone:020-7701 7271
Fax:020-7708 2437
<http://www.btha.co.uk>

Institute of Leisure and Amenity Management: Yearbook & Annual Review
ILAM
ILAM House
Lower Basildon
Reading, RG8 9NE
Telephone:01491-874800
Fax:01491-874801
<http://www.ilam.co.uk>

Kemps Film, TV & Video Handbook (UK)
Variety Media Publications Ltd
6 Bell Yard
London, WC2A 2JR
Telephone:020-7520 5233
Fax:020-7520 5237

Sports England Annual Report
English Sports Council
16 Upper Woburn Place
London, WC1H 0QP
Telephone:020-7273 1500
Fax:020-7383 5740
<http://www.english.sports.gov.uk>

Whitaker's Books in Print
 J Whitaker & Sons Ltd
 12 Dyott Street
 London, WC1A 1DF
 Telephone:020-7420 6000
 Fax:020-7836 2909

General Sources

ACNielsen MMS
 Madison House
 High Street
 Sunninghill
 Ascot
 Berkshire, SL5 9NP
 Telephone:01344-627553
 Fax:01344-621037

Ashgate Publishing Co. Ltd
 Ashgate House
 Unit 2
 Lower Farnham Road
 Aldershot
 Hampshire, GU12 4DY
 Telephone:01252-333871
 • Sources of Unofficial UK Statistics
 — D Mort & L Siddall

ASLIB: The Association for
 Information Management
 Staple Hall
 Stone House Court
 London, EC3A 7PB
 Telephone:020-7903 000
 Fax:020-7903 0011
 • ASLIB Directory of Information
 Sources in the UK

BMRB International Ltd
 Hadley House
 79-81 Uxbridge Road
 Ealing, W5 5SU
 Telephone:020-8566 5000
 Fax:020-8579 9809

British Overseas Trade Board
 c/o Arlington Management
 Publications Ltd
 25 New Bond Street
 London, W1Y 9HD
 Telephone:020-7495 1940
 Fax:020-7409 2557
 • Market Search

Export Market Information Centre
 Kingsgate House
 66-74 Victoria Street
 London, SW1E 6SW
 Telephone:020-7215 4954/4955
 • Sources of Statistics and Market
 Information

Headland Press
 1 Henry Smith's Terrace
 Headland
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 Telephone:01429-231902
 Fax:01429-861403
 • Business Information Sourcebook
 • How to Access Market Research
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Interstat
 IRN
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 90-93 Cowcross Street
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Bonnier PLC

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72 Oldfield Road
Hampton
Middlesex, TW12 2HQ

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Other Sources

ACNielsen
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British Broadcasting Corporation
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Hammersmith
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- British National Travel Survey Annual
- Digest of Tourist Statistics Annual
- Sightseeing in the UK

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Fax:020-8967 4060
<http://www.tnsolfres.com>

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63-65 North Wharf Road
London, W2 1LA
Telephone:020-7224 8500
Fax:020-7706 2650
<http://www.zenithmedia.com>
• UK Television Forecasts to 2005

UNDERSTANDING TGI DATA

Understanding TGI Data

TGI Tables, produced by BMRB International Ltd, are generally based on one of the following groups:

- **Households** — a private household consists of either one person living alone or a group of people, usually, but not always, members of one family, who live together and whose food and other household expenses are managed as one unit.
- **Adults** — any person aged 15 or over.
- **Housewives** — a member of a private household who is solely or mainly responsible for the household duties.

Number, Profile, Penetration

Tables used in Key Note reports may give figures for the Number, Profile, and/or Penetration. These terms are explained in the following Table.

	<u>Population</u>	<u>Number (000)</u>	<u>Profile (%)</u>	<u>Penetration (%)</u>
All housewives	20,371	13,535	100.0	66.4
Age				
15-24		1,045	7.7	0.03
25-34		2,697	19.9	12.1
Social Grade				
AB			0.0	61.5
C1			0.0	71.9
Region				
Greater London		2,557	10.4	55.2

Source: Target Group Index, © BMRB International, 1995

The total number of adults, housewives, households, etc

Across
The % of 15-24 years-olds who are users.

This is the projected number of people in each subgroup who use the product

Down
The % of each subgroup who are users. Each subgroup should total 100% vertically.

TGI data used in Key Note reports is broken down by age, social grade and standard region.

Social Grade

This is normally based on the occupation of the Head of the Household, or if the Head of the Household is retired, their former occupation. If this information is not available, social grade is based on environmental factors such as type of dwelling, amenities in the home, presence of domestic help etc.

Social grade is assessed by the interviewer when collecting the information and is, therefore, based on information given personally and verbally by the respondent. Social grade is checked by BMRB's coding and editing office.

The following table broadly defines the six social grades used. The relationship between social grade and net income of the Head of the Household is a complex one and readers should note that **income is not determinant of social grade**.

Social Grade	Social Status	Head of Household's Occupation
A	Upper middle class	Higher managerial, administrative or professional
B	Middle class	Intermediate managerial, administrative or professional
C1	Lower middle class	Supervisory or clerical and junior managerial, administrative or professional
C2	Skilled working class	Skilled manual workers
D	Working class	Semi and unskilled workers
E	Those at lowest levels of subsistence (no other earner)	State pensioners or widows

Standard Region

This is as defined by the Registrar-General.

KEY NOTE RESEARCH

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The internal **ICC Juniper database** is used to select company information relevant to the particular report. The financial information extracted may then be backed up by further online searching on particular companies.

Trade sources, such as trade associations, trade journals and specific company contacts, are invaluable to the Key Note research process.

Secondary data is provided by BMRB International (TGI) and ACNielsen MMS for consumer/demographic information and advertising expenditure. In addition, various official publications published by National Statistics, etc. are used for essential background data and market trends.

Interviews are undertaken by Key Note for various reports, either face-to-face or by telephone. This provides qualitative data ('industry comment') to enhance the statistics in reports; **questionnaires** may also be used.

Field research is commissioned for various consumer reports and market reviews, and is carried out by either BMRB International (BMRB Access) or NOP Solutions (National Opinion Polls).

Key Note estimates are derived from statistical analysis and trade research carried out by experienced research analysts. Up-to-date figures are inserted where possible, although there will be some instances where: a realistic estimate cannot be made (e.g. the number of disabled people in the UK); or external sources request that we do not update their figures.

Key Note Publishing Manager, 2001

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A					
Accountancy	5	2001	CDs & Tapes	2	1999
Access Control	3	2001	Chemical Industry	8	2000
Advertising Agencies	7	1998	Childcare	2	1999
Aerospace	11	1998	Childrenswear	3	2000
Agrochemicals & Fertilisers	2	2000	Chilled Foods	10	2000
Airlines	13	2000	China & Earthenware	18	2001
Airports	6	2001	Cigarettes & Tobacco	16	2001
Animal Feedstuffs	11	2001	Cinemas & Theatres	8	2000
Automatic Vending	15	2000	Civil Engineering	7	1998
Automotive Services	2	1998	Closed Circuit Television	5	2001
Autoparts	15	2001	Clothing Manufacturing	12	2000
			Clothing Retailing	3	2000
B			Commercial Radio	6	2000
Baths & Sanitaryware	10	2001	Commercial TV	7	2001
Bearings	1	2001	Commercial Vehicles	10	1999
Betting & Gaming	14	2001	Computer Hardware	4	2001
Biscuits & Cakes	10	2001	Computer Services	6	2001
Book Publishing	15	2001	Computer Software	4	2001
Bookselling	10	2000	Confectionery	20	2001
Bread & Bakery Products	16	2001	Consumer Internet Usage	4	2000
Breakfast Cereals	11	2001	Consumer Magazines	11	2001
Breweries & The Beer Market	20	2001	Contract Catering	14	2001
Bricks & Tiles	13	2001	Contract Cleaning	16	2001
Bridalwear	2	1999	Convenience Retailing	11	2001
Builders' Merchants	13	2001	Corporate Hospitality	2	2000
Building Contracting	6	2001	Cosmetics & Fragrances	15	2001
Building Materials	10	2001	Cosmetic Surgery	3	1999
Business Press	11	2001	Courier & Express Services	12	2001
Business Travel	8	1998	Credit & Other Finance Cards	12	1999
Bus & Coach Operators	6	2001			
			D		
C			Dark Spirits & Liqueurs	2	2001
Cable & Satellite TV	8	2000	Debt Management & Factoring	13	1999
Cameras & Camcorders	3	1999	Debt Management (Commercial & Consumer)	1	2001
Camping & Caravanning	12	2000	Defence Equipment	8	2000
Canned Foods	12	2000	Design Consultancies	3	2000
Carpets & Floorcoverings	14	2000	Digital TV	1	1998
Cash & Carry Outlets	16	2001	Direct Marketing	14	2001
Catering Equipment	5	2000	Disposable Paper Products	9	2000

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Domestic Heating	11	2000	Health Clubs & Leisure Centres	4	2000
Dry Cleaning & Laundry Services	2	2000	Health Foods	21	2001
E			Heating, Ventilating & Air Conditioning	8	1998
Electrical Contracting	6	2000	Home Furnishings	14	2001
Electrical Wholesale	2	2001	Home Shopping	9	2001
Electronic Component Distribution	11	2000	Horticultural Retailing	14	2000
Electronic Component Manufacturing	10	1999	Hotels	16	2001
Electronic Games	3	2000	Housebuilding	14	2000
Employment Agencies (see Recruitment Agencies)	14	1999	Household Appliances (Brown Goods)	8	1999
Equipment for the Disabled	3	2001	Household Appliances (White Goods)	14	2001
Equipment Leasing	11	1999	Household Furniture	15	2000
Estate Agents	11	2000	Household Soaps & Detergents	13	2001
Ethnic Foods	10	2001	I		
Exhibitions & Conferences	5	1998	Ice Creams & Frozen Desserts	7	2000
F			Industrial Fasteners	8	2001
Factoring & Invoice Discounting	1	2001	Industrial Pumps	5	2000
Fast Food & Home Delivery Outlets	17	2001	Industrial Valves	8	2001
The Film Industry	3	2000	Insurance Companies	9	2001
Finance Houses	11	2000	Internet Usage in Business	5	2001
Fire Protection Equipment	6	2001	IT Security	3	2001
Fish & Fish Products	10	2000	IT Training	6	2001
Fitted Kitchens	9	2000	J		
Floristry	1	1998	Jewellery, Watches & Fashion Accessories	18	2001
Food Seasonings	1	1999	K		
Footwear	12	1999	Kitchenware	4	2000
Franchising	7	2000	L		
Freight Forwarding	12	2000	Laboratory Equipment	9	2001
Frozen Foods	18	2001	Lighting Equipment	13	2000
Fruit Juices & Health Drinks	8	2000	Lingerie	4	2000
Fruit & Vegetables	16	2001	M		
Further & Higher Education	3	2000	Metalworking		
G			Machine Tools	12	2000
Garden Equipment	10	2001	Management Consultants	8	2001
The Gas Industry	1	2001	Meat & Meat Products	15	2001
Giftware	10	2001	Mechanical Handling	8	1999
Glassware	10	1999	Medical Equipment	13	2001
Greetings Cards	17	2001	Metal Recycling	2	2000
H			Milk & Dairy Products	16	2001
Hand Luggage & Leather Goods	10	2001	Mobile Phones	3	2000
			Mortgage Finance	3	1999

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<u>N</u>			Rubber Manufacturing & Processing	8	1999
New Media Marketing	3	2000	Rugby Clubs & Finance	1	1999
Newspapers	15	2001	<u>S</u>		
Nursing Care	2	1999	Sauces & Spreads	7	2000
<u>O</u>			Shopfitting	10	2000
Office Furniture	17	2001	Short Break Holidays	4	2001
The Offshore Oil & Gas Industry	2	2001	Slimming Market	8	2000
Ophthalmic Goods & Services	12	1999	Small Domestic Electrical Appliances	8	2000
OTC Pharmaceuticals	9	1999	Snack Foods	14	2000
Own Brands	9	2001	Soft Drinks (Carbonates & Concentrates)	13	1999
<u>P</u>			Sports Clothing & Footwear	8	2000
Packaging (Food & Drink)	4	1999	Sports Equipment	12	2001
Packaging (Glass)	11	1999	Sports Sponsorship	1	1998
Packaging (Metals & Aerosols)	11	2000	Stationery (Personal & Office)	17	2001
Packaging (Paper & Board)	12	1999	Supermarkets & Superstores	18	2001
Packaging (Plastics)	13	2000	<u>T</u>		
Paints & Varnishes	12	1998	The Take Home Trade	13	2000
Paper & Board Manufacturing	13	2001	Telecommunications	15	2000
Pensions	2	1998	Timber & Joinery	16	2001
Personal Banking	11	2000	Toiletries	14	2000
Photocopiers & Fax Machines	11	2000	Toys & Games	17	2001
Plant Hire	12	2001	Tourist Attractions	5	2001
Plastics Processing	9	2000	Training	9	2000
Power Tools	1	1999	Travel Agents & Overseas Tour Operators	15	2001
Premium Lagers, Beers & Ciders	4	2000	The Tyre Industry	1	2001
Printing	7	2001	<u>U</u>		
Private Healthcare	16	2001	The Under-16s Market	1	1998
Protective Clothing & Equipment	3	2000	<u>V</u>		
Public Houses	17	2001	Vehicle Leasing & Hire	16	1998
<u>R</u>			Vehicle Security	5	2001
Rail Travel	5	2001	Videoconferencing	2	2000
Ready Meals	5	2000	Video Retail & Hire	6	2000
Recruitment Agencies (Permanent)	1	2000	<u>W</u>		
Recruitment Agencies (Temporary/Contract)	1	2000	Wallcoverings	14	2001
Restaurants	16	2001	Water Industry	1	2001
Retail Chemists & Drugstores	12	2001	Water Utilities	3	1999
Road Haulage	16	1999	Waste Management	6	2001
			Windows & Doors	15	2000
			Wine	14	2000
			Winter Holidays	1	1999

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Market Reviews			C		
Business Information in the UK	2	1998	Cable and Satellite Services		1998
UK Catering Market	13	2000	Call Centres		1999
UK Clothing & Footwear	8	2001	Canned Foods		1999
UK Computer Market	9	2001	Car and Van Hire		1998
UK Construction Industry	8	2001	Childcare		2000
UK Defence Industry	6	2001	Chilled and Frozen Desserts		1998
UK Distribution	7	2001	Clothing Retailers		2000
DIY & Home Improvements	7	2001	Coffee and Sandwich Shops		2000
UK Drinks Market	12	2000	Commercial Construction		1998
The Energy Industry in the UK	4	2000	Condiments and Sauces		1999
UK Food Market	13	2001	Confectionery		1999
UK Healthcare	7	1999	Consumer Credit and Debt		1999
UK Insurance Market	6	2001	Contraception		2000
UK Leisure & Recreation	11	2001	Cooking and Eating		1999
UK Motor Industry	7	2000	Corporate Hospitality		1998
UK Office Equipment	5	2000	Cosmetics: Facial and Skincare		1998
Passenger Travel in the UK	3	1999	Cross-Border Shopping		2000
UK Pharmaceutical Industry	3	2000	Customer Loyalty in Financial Services		2000
Process Plant Industry	1	2000	Customer Services in Financial Organisations		1999
UK Publishing	8	2000	The C2DE Consumer		2000
Retailing in the UK	7	1998	D		
UK Security	8	2000	Diet and Fat-Free Foods		2000
UK Sports Market	8	2001	The DINKY Market		1999
UK Travel & Tourism	9	2001	Direct Mortgages		2000
Market Assessment Reports			Distance Learning — The Quiet Revolution		1999
A			The DIY Market		1998
The ABC1 Consumer		1999	Domestic Lighting and Electrical Products		2000
Advertising Agencies		2000	Duty-Free Retailing		1999
Airports and Airlines		1999	E		
Alternative Healthcare		1999	Eastern European Lifestyles		1999
Audio-Visual Retailing		2000	Eastern European Travel		1999
All-Inclusive Holidays		2000	E-Commerce: The Internet Leisure & Entertainment Market		1999
B			Electronic Banking		2000
Baby Products		2000	Empty Nesters		1998
Baths and Showers		2000	EMU — The Impact on the UK Financial Services Industry		1999
Beds, Bedrooms and Upholstered Furniture		2000	Ethnic Foods		1998
Betting and Gaming		1998	European Long-Term Insurance		2000
Book Retailing on the Internet		1998	European Pharmaceuticals Market		1999
Bottled Water		2000	European Telecommunications		1999
Building Materials		1998	European Travel		1998
Broadcast Media		1999	European Tourist Attractions		2000
The Business Travel Market		2000			

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<u>E</u>			<u>N</u>		
Financial Services on the Internet		1998	Newspapers and Magazines		1999
Financial Services Organisations on the Internet		2000	Niche Marketing in the Financial Services Industry		1999
Financial Services Marketing to ABC1s		2000	Non-Food Sales in Supermarkets		1999
Financial Services Marketing to Start-Up Businesses and the Self-Employed		2000	<u>O</u>		
Financial Services Marketing to the Retired and Elderly		2000	Off-Trade Spirits		2000
Footwear		1998	Off-Trade Wines		1999
Forecourt Retailing		2000	Opticians and Opticals Goods		2000
Fresh and Frozen Foods		1999	Organic Foods		1999
Functional Foods		1999	OTC Pharmaceuticals		2000
Funeral Services		1998	Out-of-Town Shopping		
<u>G</u>			<u>P</u>		
Garden Leisure and Equipment		1999	Pay TV		1999
General Insurance		1998	Pensions		2000
The Green and Ethical Consumer		2000	Personal Communications		1999
The Grey Consumer		2000	Personal Lines Insurance		2000
Grocery Trade in the 21st Century		1999	Personal Loans		2000
<u>H</u>			Pet Accessories and Insurance		1999
Haircare		1999	Pet Food Market		1998
Healthy Eating		1999	The Pink Pound		1998
Home Entertainment		2000	Plastic Cards — Time to Get Smart		1999
Home Gym Equipment		1998	Pre-School Childcare		1998
Home Shopping		1998	Private Healthcare and Insurance		1998
Hotels		1998	Private Sector Opportunities in Education		1999
<u>I</u>			Promotions and Incentives		1999
Ice Cream		1998	<u>R</u>		
In-Car Entertainment		2000	Ready Meals		1999
Independent Healthcare Services		1998	Recycling and the Environment		2000
Individual Savings Accounts		1999	Restaurants		1999
Internet Advertising		1999	Retail Credit		2000
Issues and Challenges in the UK Life Assurance Market		1998	Retail Development		2000
<u>L</u>			Retailing in UK Supermarkets		1998
Lifestyle and Specialist Magazines		2000	<u>S</u>		
Loyalty Cards		1998	Savings and Investments		2000
The Luggage Market		2000	Saving Trends in the Eurozone		1999
<u>M</u>			Short Breaks		1999
Market Forecasts		2000	Small Business Finance		1999
Marketing to Children 4-11		1999	Small Kitchen Appliances		1998
Men and Women's Buying Habits		1999	Sponsorship		2000
Millennium Youth		1999	Sports Footwear and Clothing		1999
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			Student Finance		1998
			The Soup Market		1999
			Supermarket Own Label		2000

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Sweet & Salty Snacks		2000	The UK Overseas Package		
The Singles Market		2000	Holiday Market		1999
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Technology in Retail Distribution		1998	Urban Regeneration		1999
Teenage Fashionwear		2000	Utilities		2000
Telefinancial Services		1998	V		
Teleworking		2000	Vegetarian Foods		1998
Top Markets		2000	Vitamins and Supplements		1999
Travel Foods		1998	W		
Trends in Dry Cleaning		1998	Waste Management		1998
Trends in Food Shopping		1998	Western European Lifestyles		1999
Trends in Leisure Activities		1999	White Goods		2000
U			Women Over 45		2000
UK Banking		1999	Working Women		1998
UK Beer Market		1999	Y		
The UK Heating Marketing		1998	The Youth Market		1998

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Published by Key Note Ltd
Field House, 72 Oldfield Road, Hampton,
Middlesex TW12 2HQ
Tel:020-8481 8750 Fax:020-8783 0049

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