

# Building resilience in the heart of the south west visitor economy

A study prepared for Heart of South West LEP



Fresh & local  
Brixham sea  
food



Hunt's  
cider  
apples

BAY  
BEER  
BREWED  
-IN-

100%

Pair



national  
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tourism  
academy

Report prepared by the  
**National Coastal Tourism Academy**  
[coastaltourismacademy.com](http://coastaltourismacademy.com)

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# Executive Summary

## **Why tourism matters in Heart of South West LEP area**

Visitor spend in Devon and Somerset in 2018 equated to £3.35bn supporting more than 32,000 jobs across 7,300 establishments. This includes the Unitary Authorities of Plymouth, Exeter and Torbay.

The Covid-19 impact on the visitor economy has been severe with over £1.3bn lost revenue from tourism and the associated supply chain for January-July alone. With a third of businesses unsure if they can survive until March 2021 and two-thirds not expecting to return to a profit until 2022, Covid-19 will continue to impact the Heart of South West LEP area economy for some time.

The visitor economy is expected to recover quickly if supported though and will be key to rebuilding the wider economy and supporting the Heart of South West LEP's ambitions for clean and inclusive growth. A 1% growth in spend in the visitor economy could drive a 2.2% growth in productivity.

## **Industry priorities and trends**

The immediate priority is on survival and recovery. Although 74% of businesses are open year-round, the visitor economy is a highly seasonal sector with almost three quarters of businesses generating more than 25% of turnover in July and August. 60% of businesses are seeking to develop their product or audiences to aid recovery, with many businesses (74%) recognising the key to achieving growth as attracting more off-peak visits.

Relevant trends for the visitor economy in Devon and Somerset include a growing interest in authentic experiences, sustainability and accessible tourism and, in the medium-long term, an increasingly active empty nester market. Significant growth markets that could help address seasonality include focusing on activity, culture and wellness breaks as well as re-building business events.

## **Impact of leaving the EU**

With only 4% of businesses employing staff from the EU, the vast majority of businesses do not foresee any significant impacts when the UK leaves the EU in 2021. Almost half of businesses (49%) expect to see an increase in domestic visitors and 34% a decrease in EU visitors.

The main area of concern among businesses and stakeholders is the recruitment of staff for medium-sized businesses, with 31% of businesses with more than 25 staff concerned about recruitment.

**The key drivers for improving productivity** which could deliver the greatest benefits for the visitor economy in Devon and Somerset are:

- Addressing seasonality – through new markets or product developments including accessible tourism, activity, culture and wellness tourism as well as developing business events
- Improving data and research – to improve business decisions and support product development
- Building resilience of the sector – through supporting networks and sharing of best practice
- Investment in skills, training and business support – 1-2-1 business support can be the most effective mechanism for driving productivity within targeted businesses, but also wider initiatives focused on those businesses seeking to develop and grow
- Other drivers include better partnership working and infrastructure improvements

**The key recommendations of this report are:**

- Focused and coordinated effort across the region to rebuild the sector and improve the productivity of the visitor economy with a core focus on building the year-round offer, improving data and skills
- Building the resilience of the sector - supporting businesses through the COVID-19 crisis with a focus on preparing businesses for changing consumer behaviour as a result of the COVID-19 pandemic and sharing best practice.
- Establishing a region-wide tourism strategy for either the Heart of South West LEP area or Great South West area depending on the will of stakeholders. A strategy group should include all key stakeholders and representatives from the private sector and should be adopted by the LEP(s) as an official sub-group. This will enable the area to begin implementing the above developments as well as preparing proposals for a tourism zone or other future funding opportunities. The Chair of this group should be a representative on the LEP board.





## Background

In January 2020, the Torbay Development Agency (TDA) commissioned a research study on behalf of the Heart of South West Local Enterprise Partnership (HotSW LEP) entitled “Building resilience in the Heart of the South West Visitor Economy”. The purpose of the report was to provide an evidence base that enables the visitor economy in the region to improve its resilience and identify opportunities for growth and to improve productivity. The key requirements of the research are to establish:

- The key baseline characteristics / metrics of the visitor economy in the HotSW LEP area
- Summarise key challenges and opportunities that face the sector in the HotSW LEP area as a result of EU Exit
- The future trends in the visitor economy expected over the next 10-20 years. How might tourism businesses within the HotSW LEP area take advantage of these trends?
- The drivers of productivity in the tourism industry and ways to drive up productivity

The report was completed in January and March 2020, pre-Covid-19 and was updated in November 2020.

***During the preparation of this report, the COVID-19 global pandemic has unfolded. Please note that at the time when the primary research was completed for this report there were no cases in the UK. The evolving situation of the COVID-19 outbreak will have profound implications on the tourism industry and the outcomes of this report should be reviewed with this in mind.***

***The report was updated in November 2020 to reflect the latest trends and insight on changing consumer behaviour as a result of the COVID-19 situation, but ongoing review of the situation should be undertaken.***

# Methodology

**To inform this report the following activity was undertaken:**

## **Literature Review**

Analysis of documents specified in the research brief plus other trends and research reports identified by the National Coastal Tourism Academy (NCTA). We have also considered the latest position on Immigration Policy, key national and regional policy documents and the destination management organisation strategies where available. A full list of documents considered is included in appendix A.

## **Data Review**

Analysis of data for 'visitor economy' businesses including business numbers, size, turnover and employment figures. Business types are classified by a five-digit Standard Industrial Code (SIC) and analysis of this is available from the Office of National Statistics (ONS) at a fairly detailed level. The difficulty with the visitor economy is that businesses involved in the industry encompass a wide range of SIC codes and not all the turnover of specified business types is attributed solely to tourism-related activity. For example, retail is widely agreed to be a key part of a visitor's experience, but it would overestimate the value of the visitor economy if all retail establishments and their total turnover were included. Although international language schools should be included as part of the visitor economy, the SIC code they belong to includes all higher education establishments which again would overestimate the value of the visitor economy.

Various studies in the past have attempted to determine which SIC codes should be included as part of the visitor economy, however, following discussions with the ONS and the research department at VisitEngland (VE) there does not appear to be an agreed list of codes to include.

At the inception meeting the steering group confirmed that the sectors to be included should be:

- Accommodation providers
- Food and drink
- Attractions/leisure
- Business and conferencing
- International language schools
- Culture
- Transport

After some discussion between the National Coastal Tourism Academy (NCTA) and the steering group, a list of SIC codes to include as part of the visitor economy was agreed. The ONS supplied business numbers, turnover and employment figures for the specified business types segmented by local authority area – Torbay, Plymouth, rest of Devon and Somerset.

Additionally, the ONS supplied the same data by size of business (micro, small, medium and large) but due to small numbers for some of these categories data could only be provided for the visitor economy as a whole – not for individual business types. The full data set can be found in appendix B.

It must also be noted that the ONS data is based on businesses which are registered for either VAT and/or pay PAYE and their data is recorded based on the location in which the overall business is registered. This means that smaller businesses and those which are part of a larger organisation or national chain registered elsewhere would not show up in the data. We have therefore included a download from the NOMIS website which includes individual businesses based on their location – but still excludes businesses below the VAT threshold and/or not paying PAYE.

## **Stakeholder Interviews**

Interviews were conducted either face to face or by phone with 18 stakeholders across the Heart of SW LEP area during January and February 2020. Stakeholders consisted of Destination Management Organisations, Tourism Action Partnerships, the South West Tourism Association and a selection of businesses. A discussion guide was prepared in advance and agreed with the steering group. This was sent to stakeholders in advance of the discussions, so they had time to prepare responses. A full list of the organisations spoken to are contained in Appendix C.

## **Business Survey**

The South West Research Company (SWRC) was commissioned to undertake an online business survey across Devon and Somerset. The questionnaire was drafted by NCTA and approved by the steering group before going live on February 10th. The survey remained live until March 8th.

The link to the survey was distributed by the main partners of the study – Plymouth, English Riviera BID, Visit Devon and Visit Somerset. South West Tourism Alliance (SWTA) and other destination management organisations, business associations and tourism groups in the area also circulated the survey. The survey was further promoted through B2B social media channels.

Full results of the survey are attached in Appendix D, but key statistics and views are included within the body of this report.

There were 217 responses to the survey which represented businesses from across the area. The location of businesses responding cover Torbay (37%), Plymouth (8%), the rest of Devon (32%) and Somerset (23%). The sample for Plymouth is relatively small and therefore this needs to be considered when reviewing detailed analysis for Plymouth alone.

# Current Situation

The majority of this section was researched and written prior to the outbreak of Covid-19 at the start of 2020 and reviewed the state of tourism across the Heart of SW LEP area of Devon and Somerset at that time. It details the value and importance of tourism to the region, a review of the tourist product and consumer perceptions, the views of businesses and stakeholders and wider regional and national context within which the Heart of SW tourism industry operates.

The impact of Covid-19 on businesses and consumers has been updated in the relevant sections of this report to reflect the latest know position at November 2020.

# Value and Importance of Tourism

Pre-Covid-19, tourism across the Heart of SW LEP area contributes £3.35bn to the local economy. It encompasses almost 7,400 business establishments and directly supports over 32,000 jobs across the region.

The most accurate way to measure the full impact of the tourism industry across a region would be to undertake a detailed economic impact assessment. This can be very costly and time consuming and therefore this report utilises a combination of the best data available which includes the ONS data and Cambridge economic modelling and reflects on the challenges of the data available.

**The full impact of the tourism industry could be higher than the figures included within this report.**



**£3.35BN**  
**VISITOR SPEND**  
**IN 2018**

**DIRECTLY SUPPORTS**  
**32,233 FTE JOBS**



**43.6M**  
**DAY VISITS**



**7.1M**  
**DOMESTIC**  
**OVERNIGHT**  
**VISITS**



**642K OVERSEAS**  
**VISITS**



**£2.3BN GROSS**  
**VALUE ADDED (GVA)**



**7,345**  
**ESTABLISHMENTS**



The Cambridge economic impact model for tourism utilises national data to ascertain the regional impact of tourism across the UK, it provides a useful long-term trend analysis of tourism behaviour and is more accurate across larger geographies where the national survey sample on which the data relies are more significant. Using this data, the value of tourism in the Heart of SW LEP area (Devon and Somerset) is £3.35bn, with the breakdown across each area of the Heart of SW shown in the table below. This report considers this to be a relatively accurate representation of the direct, indirect and induced impact of the visitor economy for the Heart of SW area.

	Somerset (exc. N Somerset)	Plymouth	Torbay	Devon*	Heart of SW LEP area
UK trips	1,780,000	662,000	1,026,000	5,357,000	7,137,000
Overseas trips	184,000	79,000	86,900	458,000	642,000
Tourism day visits	14,141,000	4,679,000	3,494,000	29,483,000	43,624,000
UK spend	£334,085,000	£121,847,000	£261,390,000	£1,198,300,000	1,532,385,000
Overseas spend	£68,214,000	£38,190,000	£35,142,000	£199,320,000	267,534,000
Tourism day visit spend	£497,505,000	£177,918,000	£128,105,000	£1,055,388,000	1,552,893,000
<b>Total visitor spend</b>	<b>£899,804,000</b>	<b>£337,955,000</b>	<b>£424,637,000</b>	<b>£2,453,008,000</b>	<b>3,352,812,000</b>
Business turnover	£1,068,321,000	£476,004,000	£565,624,000	£3,560,818,000	4,629,139,000
<b>GVA</b>	<b>£596,885,000</b>	<b>£261,678,000</b>	<b>£310,596,000</b>	<b>£1,701,467,000</b>	<b>2,298,352,000</b>
Staying visitor - direct FTE employment	3,470	1,249	1,950	12,011	15,481
Day visitor - direct FTE employment	5,411	1,771	1,524	11,341	16,752
<b>Total Direct FTE employment</b>	<b>8,881</b>	<b>3,020</b>	<b>3,474</b>	<b>23,352</b>	<b>32,233</b>

By comparison the ONS data using SIC code analysis for businesses classed as accommodation, food and beverage, travel and tour operators, arts, attractions and activities shows that there are 6,000 businesses in the Heart of SW LEP area, supporting 65,000 jobs and generating a business turnover of £2.3bn. However, many tourism academics and economists argue that only 25% of the food and beverage sector can be attributed to the visitor economy and adjusted to reflect this, the employment supported would be 32,913 and turnover of £1.3bn.

	Somerset	Plymouth	Torbay	Devon*	HEART OF SW LEP area
Number of businesses	1,770	590	600	3,040	6,000
Employment	16,917	6,928	7,646	33,740	65,231
Business Turnover	583,235	238,901	260,462	1,243,782	2,326,380

\* Devon excluding Plymouth and Torbay

\* Data using 25% of food and beverage business

#### ONS DATA - NUMBER OF BUSINESSES BY SIZE

	Somerset	Plymouth	Torbay	Devon*	HEART OF SW LEP area
0-9 Micro	1,295	450	450	2,135	4,330
10-49 Small	435	130	130	825	1,520
50-249 Medium	30	10	15	75	130
250+ Large	5	0	5	5	15
<b>Total</b>	<b>1,765</b>	<b>590</b>	<b>600</b>	<b>3,040</b>	<b>5,995</b>

\* Devon excluding Plymouth and Torbay

The ONS data is rounded to the nearest 5 businesses and it does not include any business that does not pay VAT or employ any staff through PAYE system. It would also omit national chains or larger regional businesses where VAT or PAYE is paid through a regional tax office not located within the Heart of SW LEP area.



NOMIS data uses the ONS information but reflects the location and number of business establishments more accurately and therefore by reviewing this data, the number of tourism establishments increases to 7,345 which this report considers to be a more accurate representation.

#### NOMIS DATA ON BUSINESS ESTABLISHMENTS

						HEART OF SW LEP			
	PLYMOUTH	TORBAY	DEVON	SOMERSET	Total	Micro (0 to 9)	Small (10 to 49)	Medium (50 to 249)	Large (250+)
TRANSPORT	25	40	100	50	215	175	30	0	0
ACCOMMODATION	50	170	715	340	1,275	835	335	90	0
FOOD & BEVERAGE	715	440	2,340	1,500	4,995	3,305	1,590	75	0
TRAVEL & TOUR OP	25	15	125	75	240	195	20	0	0
ATTRACTIONS	35	40	335	220	630	405	155	45	0
TOTAL	840	705	3,615	2,185	7,345	4,955	2,160	225	5
	11.44%	9.60%	49.22%	29.75%		67.46%	29.41%	3.06%	0.07%

A review of the data shown in the table above shows the total number of accommodation-related establishments in Torbay as 170, however, the number of accommodation BID levy payers for the English Riviera is 435. This provides an indicative view of the number of businesses that are under the VAT threshold or not employing any staff within the accommodation sector in Torbay alone.

In addition, none of the data sets include data for the sharing economy and most notably for tourism, the impact of Airbnb on the sector.

Reflecting on the data, it is recommended that the industry pre-Covid-19 is represented using the following data:

- Number of businesses from NOMIS 7,345 businesses, of which 67.46% Micro businesses, 29.41% Small, 3.06% Medium and 0.07% Large, 11.44% of businesses are in Plymouth, 9.60% Torbay, 49.22% Devon and 29.75% Somerset
- Spend from SWRC Economic Impact £3.35 billion spend
- GVA from SWRC Economic Impact £2.3 billion
- Employment – SWRC 32,233 FTE
- Turnover – ONS £1,299,409 or SWRC £4,629,139,000

Recognising that this data will be under-representing the size and scale of the industry particularly in relation to employment and number of establishments.

# Product Overview

Understanding the nature of the product and consumer perceptions enables us to ascertain the USPs for the area and once considered alongside the trends data later in this report, recommendations can be made as to the best product market fit for future product developments. The full product audit is included within Appendix E.

## Natural Environment and Protected Landscapes

The natural attractions of Devon and Somerset are the greatest asset of the area and the main reason for its popularity as a tourism destination.

Attractions include:

- Exmoor National Park
- Dartmoor National Park
- English Riviera UNESCO Global Geopark
- 230 miles of varying coastline with beautiful beaches
- Plymouth Sound which is due to become National Marine Park
- More than 20 nature reserves

## Visitor Attractions

The area also offers a wealth of natural, historic and cultural visitor attractions.

The most well-known include:

- Kent's Cavern and Cheddar Gorge and Caves
- National Trust properties at Tyntesfield, Montacute House, Barrington Court, Greenway Garden, Coletton Fishacre, Dunster Castle, Killerton House and Gardens, Knightshayes, Buckland Abbey and Castle Drogo
- Wildlife attractions including National Marine Aquarium, Living Coasts, Dartmoor Zoo, Paignton Zoo, Donkey Sanctuary
- Exeter Cathedral, Wells Cathedral, Glastonbury Abbey
- Historic railways at West Somerset, Lynton and Lynmouth and Dartmouth
- A wealth of local museums – RAMM in Exeter, The Box in Plymouth
- Family-focused attractions such as Crealy Adventure Park, Babbacombe Model Village, Brean Theme Park and the Milky Way
- In addition, the cities of Plymouth and Exeter are 'attractions' for visitors seeking a city break with exceptional regional theatres, music venues, shopping and cultural attractions

## Activities

The South West Coast Path follows the coastline from Minehead to Poole therefore encompassing the whole of the coast of Devon and much of Somerset and will soon be extended / enhanced with the development of the England Coast Path. It follows that walking is a key attraction for the area both along the coast and in the protected landscapes of Dartmoor and Exmoor.

Other activities include:

- Cycling
- Watersports – sailing, diving, canoeing, SUP, coasteering
- Fishing
- Golf

## Events

From the Glastonbury music festival to small town regattas and carnivals there is a plethora of events throughout the year around the two counties. These include new additions such as the English Riviera Seafood FEAST and the Mayflower 400 events based in Plymouth, Dartmouth and other key sites, which were due to commemorate the 400th anniversary of the Mayflower sailing to America, unfortunately many of these events have been impacted by Covid-19.

## Cultural and Sporting Facilities

Main sporting facilities of relevance to visitors are the Racecourses at Exeter and Wincanton, Sandy Park Rugby Stadium and Somerset Cricket Ground in Taunton. The Life Centre in Plymouth is an international standard swimming venue and Plymouth Argyle is the only Division 1 club in the region. There are a selection of theatres and concert halls in all the main towns offering a year-round programme of events.

## Retail Offer

Retail opportunities include farmers and craft markets across the two counties many of which focus on local produce. The Clarkes Village at Street is a prominent outlet village featuring a number of globally recognised brands.

Towns across Somerset and Devon have shopping malls and/or high streets with a mix of high street and independent stores and everything from budget shops to high-end. Plymouth Drake Circus and Barcode development has the only 'Imax' cinema venue in the region.

# Product summary

The wealth and quality of natural assets across Devon and Somerset represent a significant USP for the area, combined with the other aspects of the product – the area's existing product is well suited to the Empty Nester (over 55) and family markets and presents opportunities for millennials.

Given the impact of Covid-19 there will need to be some consideration for changing consumer behaviour and needs, in the short-term a focus on self-catering accommodation and growing interest in outdoor products leaves Devon and Somerset well placed to capture the domestic market. Continuing to monitor changing consumer trends and product-market fit would be useful in the mid- and long-term.



# Consumer Perceptions of Devon and Somerset

Prior to Covid-19, according to BDRC annual Holiday Trends report in 2019, Devon was considered the 4th most desirable location for domestic travel in that year – this was up 4 percentage points on the previous year. In addition, BDRC's Holiday Trends report over the last few years has consistently reported that Devon is within the top 10 destinations.

Since April 2015, the national tourist boards of VisitEngland, VisitScotland and Visit Wales have been tracking visitor perceptions of holiday destinations across Great Britain in a continuous weekly tracking study. In early 2018, VisitEngland commissioned the production of several destination summary reports, drawing on the findings from the continuous tracking data. These reports give us some insight into how Devon and Somerset are perceived by potential holiday makers in comparison with other destinations.

The VisitEngland destination reports show that levels of consumer loyalty to Devon and Torbay are above national average and to Somerset in line with the national average. All destinations across the Heart of SW were considered popular areas that consumers would like to visit.

## VISITENGLAND - DESTINATION REPORTS 2018

	Devon %	Torbay %	Somerset %	Great Britain %
Loyalty – if holidays are taken there and still intend to	33	21	17	17
Considerers – would like to go	51	54	56	48
Rejecters – not likely to visit	12	18	19	25
Satisfaction	46	47	57	49
Likelihood to visit	8.1	8.2	8.7	8.4

When reviewing the perceptions of UK consumers across different attributes of the destination – **the product across Devon and Somerset was considered to be beautiful, relaxing, welcoming with lots to see and do.** The quality of accommodation is perceived to be better than the national average.

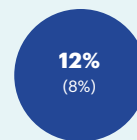
## VISITENGLAND - DESTINATION ATTRIBUTE PERCEPTION

Perception of attributes	Devon	Torbay	Somerset	Great Britain
Beautiful	83	61	67	57
Relaxing	79	72	74	60
Lots to see and do	77	67	69	66
Welcoming	75	63	70	62
Quality Accommodation	75	70	70	64
Distinct Identity	72	62	60	62
Authentic	71	59	64	61
Fun	71	66	61	56

For visitors that had visited the area(s) the quality of the natural environment was a consistently high scoring attribute. Other attributes of note were the quality of food and drink, accommodation and welcome received in the destinations.

Satisfaction with attributes by those who had visited	Devon %	Torbay %	Somerset %	Great Britain %
Quality of the Natural Environment	80	81	87	82
Being welcoming and friendly	74	75	80	74
Quality of food and drink	71	70	72	73
Quality of accommodation options	70	74	73	72
Customer service given	67	72	72	69
Availability of information about the destination before you get there	67	73	68	69
Availability of information about the destination once you're there	66	72	67	69
Offering a distinctive authentic experience	64	65	70	69

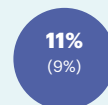
## Top destinations for a UK holiday in 2019 (% all Britons)



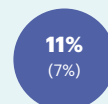
1. Cornwall



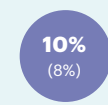
2. Scottish Highlands



3. Lake District



4. Devon



5. North West



# Consumer research undertaken during Covid-19 by Devon

During Covid-19 Visit Devon commissioned three waves of research among their current consumer database to understand travel behaviour following the reopening of the sector in July and future travel intentions covering day and overnight trips for those that had visited, intended to visit and residents of the county.

The results across the three-waves (July, August and September) reflect the changing consumer dynamic across the season and consumers' growing understanding and acceptance of "the new normal" as a result of social distancing and other measures introduced to reduce the spread of Covid-19, for example across the waves of research, growing awareness of the "Good to Go" standard increases to 62% by consumers interested in Devon.

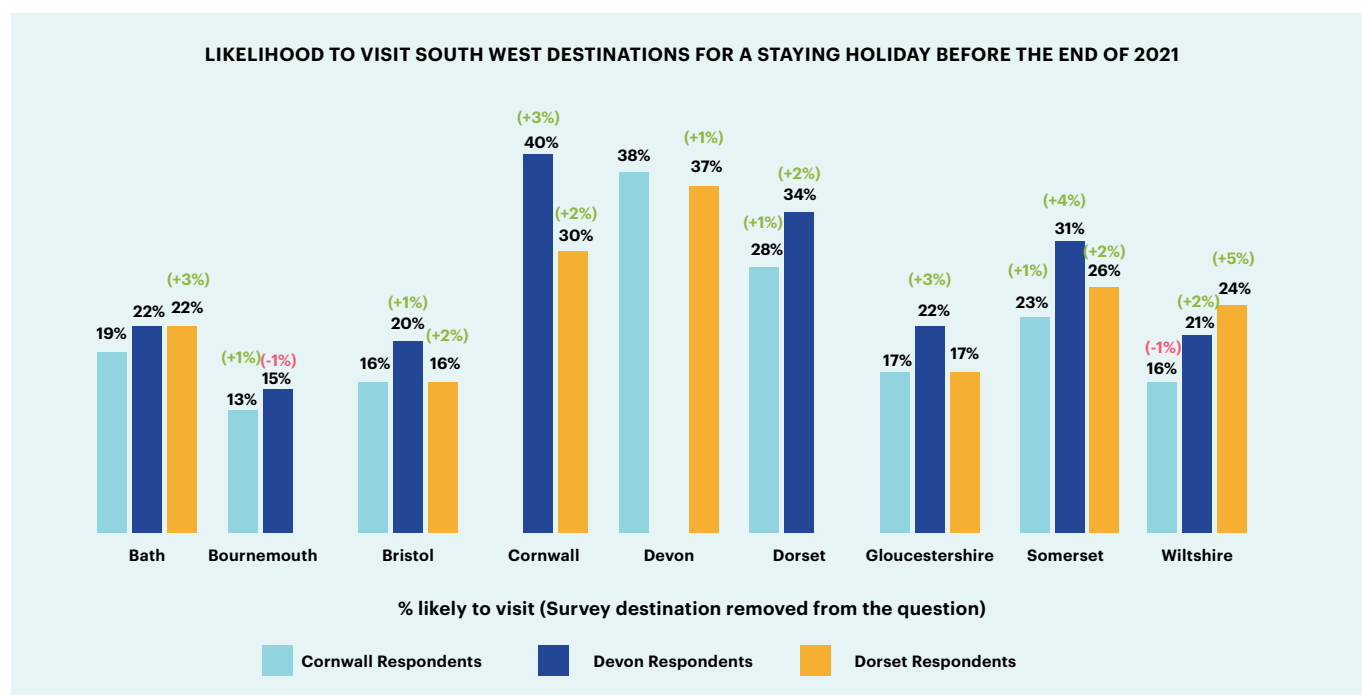
The survey results showed that a third of respondents actually visited between July and September that had intended to, 43% did not visit and 9% came on a day visit. Of those who visited, 98% felt they were welcomed by locals, 99% said they were happy with Covid measures in place and 63% said they would recommend a visit to Devon, slightly lower than the pre-Covid survey for recommending a visit but not significantly. Of those that had been, over half (54%) said they intend to book a return visit in 2021 and 35% were more likely to visit again in the future. Demonstrating that Devon has managed to retain and enthuse visitors even with the different visitor experience in place due to Covid.

The majority of visitors said they were visiting destinations they were familiar with and of those not visiting, the most common response was that they were waiting to see how things develop with Covid-19 (43%).

There is a sense of inertia in the results too, although the respondents subscribe to information from Visit Devon and have taken the time to complete the survey so clearly have a strong association with the place, 13% of all respondents had not visited in 2020 and had no intention at this point to visit in 2021. Further, 40% of those that hadn't visited said they intend to visit at some point in the future with no time commitment. Providing reasons to convert these interested consumers into actual visitors and providing them with a reason to visit now (or in very near future) could unlock a significant audience, the most common way to achieve this is events or time sensitive exhibitions and experiences.

Residents of Devon stated that they have not participated in an overnight or day visit to another part of the county because they were concerned there may be too many visitors, this decreased with time as the survey waves were undertaken but was still at 55% in the September survey. Very positively 58% of residents that responded said they were happy to welcome visitors to Devon and only 8% not happy. Again given some of the challenges of 2020 this is a very positive result.

The most popular alternative destination choices being considered by visitors to Devon were Cornwall (40%), Dorset (34%) and Somerset (31%).







The survey also gathered insight on attitudes to trip taking generally which shows a few interesting insights into the current intentions of consumers who are interested in Devon. For example, over half of respondents said they are likely to seek quieter destinations and were reluctant to plan trips at the moment, almost a third said that their personal finances and the economy will be a key factor in planning future holidays and 30% would consider holidaying closer to home. 60% of respondents said that they would reduce the number of overseas visits they take, but this is only offset by 3% saying they would take more UK holidays.

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## Consumer Summary

Visitors and potential visitors to Devon and Somerset consistently reference the beauty of the destination(s), natural environment and, relative to the national average, consider the accommodation, mix of things to do and food and drink offer of a reasonable to high quality.

The abundance of natural spaces and outdoor attractions has helped the region to attract visitors during the available trading months during 2020 and has thus helped reduce the impact of Coronavirus. The opportunity to engage and convert 'new' visitors to the region in 2020 to loyal repeat visitors in the future, could support recovery and address seasonality and therefore productivity issues. Providing a content rich programme of events and not to be missed experiences could be one approach to converting high levels of interest in future visits into actual bookings.

The region consistently scores highly for recommendations and using this loyal audience to reach new customers could support recovery.

The relatively high number of consumers concerned about their personal financial position and the economy is a barrier that needs to be overcome but could be turned into a positive to build visits in the more affordable shoulder and off-peak period.

# The Business and Stakeholder perspective

## Pre-Covid-19 Business perspective

As part of this study a business survey was undertaken to ascertain the attitudes, concerns and stability of the tourism industry across Devon and Somerset. This was completed in February / March 2020 by 217 businesses representing all areas and business types.

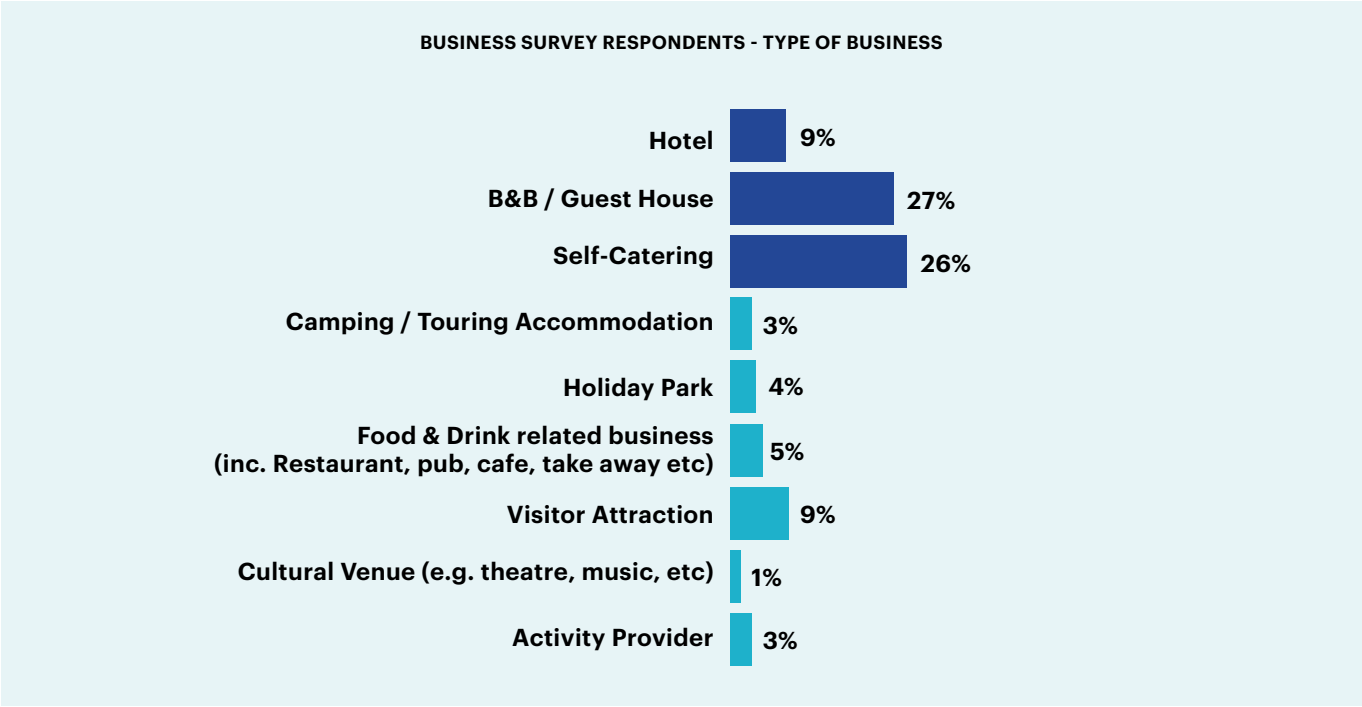
In addition, 18 interviews were undertaken with stakeholders and key businesses to provide further detail and insight on the visitor economy. It should be noted that during the completion of the last few interviews the COVID-19 outbreak grew in significance across Europe and this is reflected in some of the comments and concerns of respondents. The business survey, however, was completed prior to the COVID-19 outbreak.

# Business Type

The business survey was completed by 217 businesses from across the visitor economy, with the highest proportion (69%) from accommodation suppliers – 36% catered and 33% self-catering. In more rural areas there was a higher proportion of self-catering properties, for example in Somerset 44% of respondents to the survey were from self-catering properties and 14% from catered. In Plymouth and in Torbay there was a higher proportion of serviced accommodation and a corresponding lower proportion of self-catering establishments.

The vast majority (95%) of those employing no staff were running accommodation businesses – 69% serviced and 26% self-catering.

**Almost 9 out of 10 (89%) respondents were from an independent business** with the remainder being part of a national chain (8%) or a regional chain (3%).



TYPE OF RESPONDENT								
Main type of business	All businesses	Plymouth	Torbay	Other Devon	Somerset	No employees	1 to 25 employees	26+ employees
Serviced accommodation sector	36%	59%	56%	23%	14%	69%	32%	19%
Non serviced accommodation sector	33%	18%	23%	39%	44%	26%	37%	22%
Other sectors	32%	24%	21%	38%	42%	5%	32%	58%

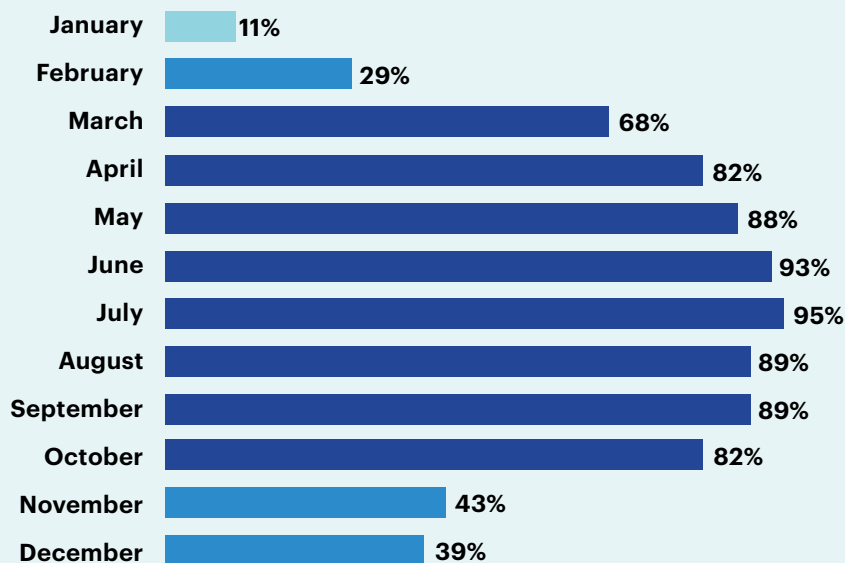


# Seasonality

Across Devon and Somerset, 74% of businesses stated that they are open year-round with 82% open at least April to October.

Of those that are only open for part of the year, more than a third remain open until the Christmas and New Year period, with the most common closed period being January.

## OPENING MONTHS FOR BUSINESSES NOT OPEN YEAR ROUND



There was a tendency for larger businesses to be open for longer – 89% of those employing more than 25 staff are open year-round compared to 64% of those employing no staff. Self-catering businesses are more likely to stay open year-round (81%) compared to serviced accommodation (64%).

Reviewing turnover, **25% of businesses surveyed generated more than 50% of their business turnover during July and August** in 2019 and a further 48% generated 25-49% in this period.

## OPENING DATES

Open all year round in 2019	All businesses	Plymouth	Torbay	Other Devon	Somerset	Serviced	Non-serviced	Other	No employees	1 to 25 employees	26+ employees
Yes	74%	100%	70%	78%	64%	64%	81%	78%	64%	72%	89%
No	26%		30%	22%	36%	36%	19%	22%	36%	28%	11%

July and August turnover	All businesses	Plymouth	Torbay	Other Devon	Somerset	Serviced	Non-serviced	Other	No employees	1 to 25 employees	26+ employees
Less than 25%	26%	41%	14%	29%	38%	21%	21%	38%	20%	25%	36%
25 - 49%	48%	53%	57%	37%	49%	47%	52%	45%	49%	48%	53%
50 - 74%	20%	6%	23%	26%	11%	25%	25%	9%	27%	20%	11%
75% plus	5%		6%	7%	2%	7%	1%	8%	5%	6%	-

Business in Torbay is particularly seasonal with more than a third generating more than 50% of their business turnover in the main summer period.

The very seasonal nature of business in most areas was emphasised by most of the key stakeholders. In the English Riviera for example, occupancy rates go from 90% in August to 35% in January. Some areas such as Visit South Devon and the Hinkley Tourism Area Partnership reported some success in extending the season, although all stakeholders felt there was some way to go. In Plymouth the growth of events has improved occupancy levels to 79% throughout the year, although it should be noted that it is felt locally that there is a need for greater capacity in the accommodation sector in Plymouth.

Whilst the nature of the current visitor economy is very seasonal a significant number of businesses are opening year-round, therefore for many the focus is on driving up occupancy rather than making the leap to year-round opening. This suggests that with the right product development and focus on new markets that are likely to travel in the shoulder and off-peak period, there is significant scope to improve productivity by extending the visitor season.

## Staffing Levels

The majority of respondents (63%) were from a business employing 1 to 25 staff. 20% employed no staff and 17% employed 26 or more people. Torbay businesses and serviced accommodation employed the highest number of staff and those based in Somerset and non-serviced businesses employed fewest. This reflects the number of micro businesses in the region which was evidenced in the ONS data.

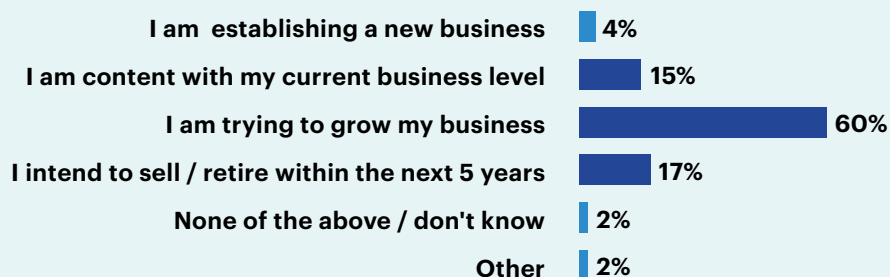
**For more than two thirds (70%) of businesses there is no change in staff levels through the year.**



### STAFFING LEVELS

Change in staff levels across the year	All businesses	Plymouth	Torbay	Other Devon	Somerset	Serviced	Non-serviced	Other	No employees	1 to 25 employees	26+ employees
Yes	30%	53%	21%	32%	32%	17%	21%	54%		29%	61%
No	70%	47%	79%	68%	68%	83%	79%	46%	100%	71%	39%

### ATTITUDES TO BUSINESS



## Attitude to Business

**60% of business respondents indicated that they are currently trying to grow their business.**

Just 4% considered themselves to be still in the start-up phase. Fifteen percent of businesses felt they were content with their current level of business and 17% stated that they are intending to sell or retire within the next 5 years.

Those businesses not employing staff were much more likely to be intending to sell or retire (29%) or content with current levels (24%). In contrast, 92% of businesses employing 26 or more staff were trying to grow their business.

This information represents a real split within the industry and perhaps reflects some stakeholder views of a lack of professionalism and high levels of lifestyle businesses within the region. When considering how to drive productivity, it would suggest that efforts should be focused on supporting the 60% seeking to grow their business and targeting medium-larger businesses as an effective starting point.

# Challenges Facing Businesses pre-Covid-19

The key challenges identified by businesses were:

<b>Poor weather</b>	<b>59%</b>
<b>Attracting new business</b>	<b>56%</b>
<b>Increased presence of OTAs</b>	<b>44%</b>
<b>Local competition from Airbnb</b>	<b>41%</b>
<b>Increasing supplier costs</b>	<b>40%</b>
<b>Competition from UK destinations</b>	<b>33%</b>
<b>Increased competition generally</b>	<b>32%</b>
<b>Competition from national chains</b>	<b>22%</b>
<b>Recruiting staff</b>	<b>19%</b>

There were some regional variations and differences between types of businesses to the above results, these include:

- The presence of OTAs was more significant for businesses in Torbay (56%), or serviced accommodation businesses (76%) and businesses with no employees (64%).
- Local competition for Airbnb was more significant to businesses in Plymouth (65%) and serviced accommodation (65%).
- Supplier costs were more of a pressure for Torbay businesses (50%) and competition from national chains more noticeable in Plymouth (41%)

Some of the issues identified above such as competition from Airbnb, the rise of OTAs and recruitment and retention concerns were also highlighted by many of the stakeholders consulted. The huge growth in the sharing economy (especially Airbnb) has led to greater competition and pressure on pricing, many of the establishments do not necessarily meet the regulation standards required by more formal accommodation. This has led to the rise of the Safe and Legal campaign, an optional paid for accreditation programme that is gaining public recognition.

A number of stakeholders felt that the significant increase in accommodation “product” via these sharing platforms had led to a surplus of supply and an increase in last minute booking, which impacts the wider economy.

Although challenges were relatively consistent between businesses there was some variation with business type and destination. For businesses employing more than 26 staff the challenges were noticeably different:

Key challenges for businesses employing 26 or more staff

	<b>%</b>
<b>Poor weather</b>	<b>64</b>
<b>Increasing supplier costs</b>	<b>53</b>
<b>Competition from other UK destinations</b>	<b>53</b>
<b>Recruiting staff</b>	<b>47</b>
<b>Local competition</b>	<b>44</b>
<b>Retaining staff</b>	<b>19</b>

Across all respondents 19% said that recruiting staff was a challenge for their business and 8% mentioned retaining staff. Recruiting staff was much more significant for those employing 26 or more staff at 47%.

For those businesses which cited staff recruitment or staff retention as an issue, the key roles presenting difficulties are:

	<b>Recruiting</b>	<b>Retaining</b>
	<b>%</b>	<b>%</b>
<b>Chefs</b>	<b>48</b>	<b>31</b>
<b>Kitchen staff</b>	<b>40</b>	<b>19</b>
<b>Cleaners</b>	<b>38</b>	<b>31</b>
<b>Housekeepers/chambermaids</b>	<b>30</b>	<b>28</b>
<b>Bar and restaurant staff</b>	<b>30</b>	<b>25</b>
<b>Receptionists</b>	<b>23</b>	<b>13</b>
<b>Management staff</b>	<b>28</b>	<b>31</b>

This is largely in line with national trends in terms of difficult to fill roles and skills shortages within the sector.

In relation to recruitment issues, stakeholders felt that there was a disconnect between courses being offered at colleges and universities and the actual needs of the industry. Stakeholders also felt there were fundamental national issues of the perception of tourism and hospitality industry as a career choice, with it often seen as low-skill entry level positions with no career path. Locally, South Devon College has redesigned its tourism and hospitality courses and is engaging with key brands in the local area, replicating this approach across the rest of the area and engaging new hotels as they open is a key opportunity to tackle this disconnect.

Another issue facing the industry, as mentioned by stakeholders, was that the number of lifestyle businesses and last-minute nature of bookings was leading to a lack of investment. This was particularly noted as being apparent within small hotels and B&Bs, where the businesses no longer have the cash flow or funds to invest in the ageing product or where there is a lack of professionalism and knowledge to know how to improve their business combined with no interest in changing the way they run their business.

The punitive tax regime – both VAT and business rates - is also considered a significant challenge particularly for smaller businesses. A number of stakeholders referenced examples of businesses that close without notice once their annual trading meets the VAT threshold. This has serious implications on the quality of the visitor experience and perception of the destination. Encouraging businesses to go beyond the VAT threshold is too big a step for many businesses who would need to almost double their turnover to make the additional VAT and other associated obligations and costs to generate any additional profit.







## Stakeholder views of wider challenges facing the destination(s)



Stakeholders mentioned a number of challenges that were facing the industry across Somerset and Devon pre-Covid-19. A lack of funding was the most common theme. This includes funding for visitor services and facilities within and en route to destinations, for publicly funded visitor attractions and for the organisations whose role it is to market and manage the strategic direction of the destination.

The lack of funding for marketing is not helped by the fact there are so many destination management organisations (DMOs) all competing for contributions from businesses, local authorities (very limited) and other funding opportunities. One stakeholder reflected that this was in part due to the number of iconic brands within the region, but with increasing pressure on a business' available marketing spend it leads to a number of organisations that are each stretched too far, confusion and frustration among businesses and duplication of effort. Streamlining this so that there are fewer management structures but that run multiple brands may be one solution.

Many stakeholders noted that transport infrastructure needs improvement, both road and rail as well as local bus services, particularly in rural areas. Whilst travelling to the region is relatively good, stakeholders interviewed identified improving connectivity from public transport hubs to key 'attractions' and increasing access to electric vehicle charging points as priorities to deliver growth. For those trying to go on holiday using only public transport the most difficult part is often the 'final (few) mile(s)' - getting from the railway or bus station to the accommodation or attraction. For some it is not just the actual infrastructure which is a problem but the perception from outside the area that it is difficult to get to.

Weather and climate change are recognised widely as a challenge to the industry. The increased number and severity of storms in the early part of the year has affected booking patterns which in turn leads to uncertainty within the industry. The South West Coast Path – one of the key attractors to the area - has experienced landslips and degradation of the path. This can be an issue for businesses who see the South West Coast Path as a potential growth area for the shoulder season. However, climate change is also seen as an opportunity for the region by focusing on the green credentials of the area and promoting the area as a sustainable destination.

Linked to this the organisations connected with protected landscapes noted the difficult balancing act which has to be played out between protecting the environment and building the visitor economy. Leaving the EU signals the end of the Common Agricultural Policy – details of its replacement are not finalised and how this will impact protected landscapes is of great concern to a number of the key stakeholders across the region.

Further challenges identified by stakeholders are the lack of awareness of the region, particularly Somerset and the impact that negative press coverage can have on potential visitors, for example the reports of traffic on the A303, Hinkley development or poor visitor experiences setting a perception that is difficult to challenge or change when there is so little knowledge of what a destination really has to offer.



## What would help your business to grow?

Businesses agreed that **the action that would be most likely to make their business grow would be attracting more off-peak visitors** (73%). Those in Torbay were particularly keen for support with this – as mentioned by 81% of businesses.

### OPENING MONTHS FOR BUSINESSES NOT OPEN YEAR ROUND

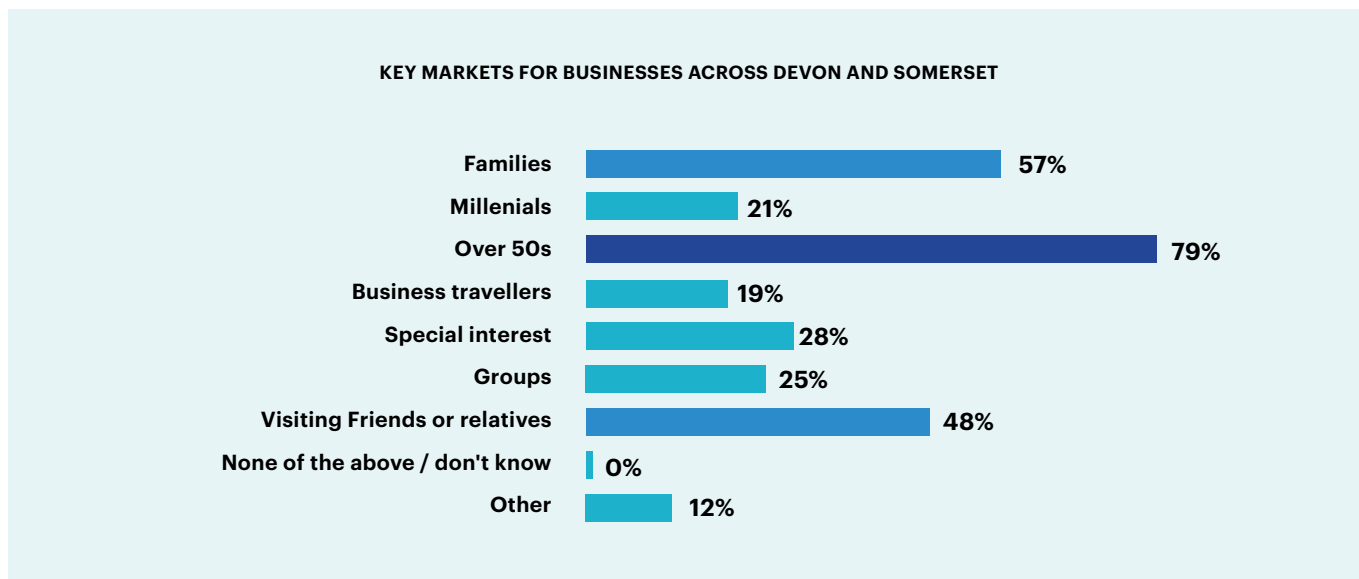


The majority also agreed that increased coverage of Devon and Somerset in the media and more events in the area would be useful support. Those in the urban areas were more likely to be advocating more events – 53% in Plymouth and 60% in Torbay compared to 29% in other parts of Devon and 38% in Somerset. Those in serviced accommodation were also advocates for more events.

In terms of business support, **30% recognised the need for digital skills training** with little variation between business type. 15% felt that 1-2-1 business support for owners/managers would be helpful with 21% of businesses in the serviced accommodation sector feeling this would be valuable. There was huge variation in the need for customer service training – a quarter of all businesses employing more than 25 staff and businesses in Torbay felt Customer Service training would be valuable, but only 1% of those running a non-serviced accommodation business.

## Key Markets and Marketing

The visitor economy's key markets are Over 50s, families and the visiting friends and relatives (VFR) market.



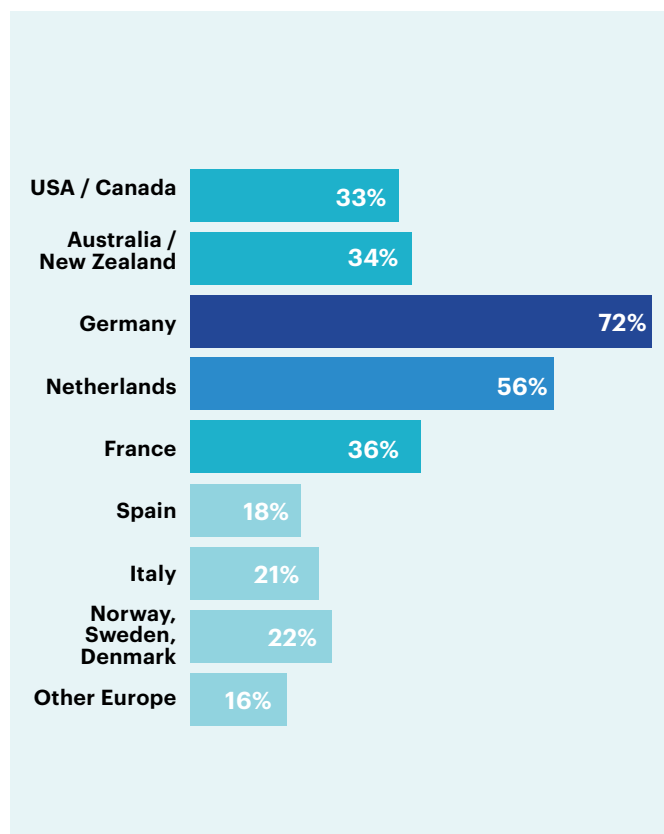
Considering local differences, Millennials are more important to businesses in Plymouth (24%) and in Somerset special interest groups are particularly important (46%). More than 25 different types of special interests were mentioned by businesses but they broadly all fell into outdoors and culture- based interests, the most common were:

**Walkers (22)**  
**Bird watching, natural history and other conservation interests (9)**  
**Cycling (7)**  
**Water sports including fishing (7)**  
**Cultural and Literacy (4)**  
**Gardens (4)**  
**Events (3)**  
**Food (3)**

Over half of businesses (55%) said they receive more than 5% of their visitors from overseas markets, with the key markets being Germany, the Netherlands, France, Australia/New Zealand, USA/Canada and Nordic countries as shown in the chart below. There were particularly strong overseas numbers reported by businesses in Plymouth (47%).

There is a big difference between types of accommodation and levels of overseas visitors – 70% of the serviced sector have more than 5% overseas visitors but only 39% of non-serviced accommodation have more than 5% overseas visitors.

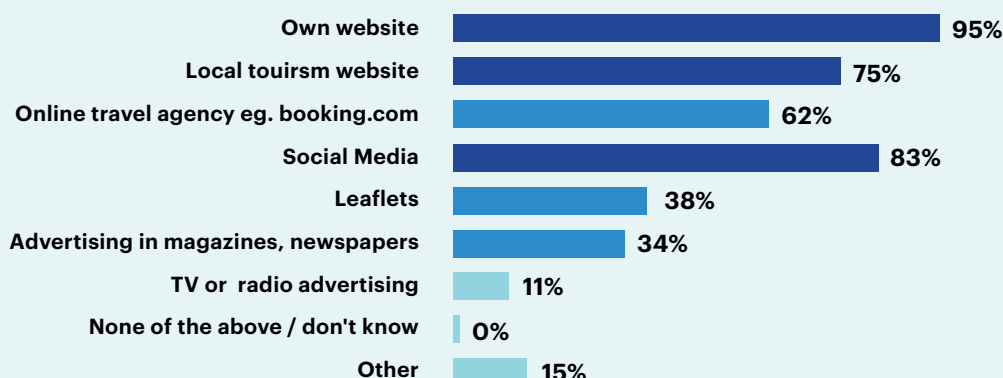
A number of stakeholders mentioned a notable increase in visitors from the USA which they attributed to the combined efforts of the Mayflower 400 celebrations and various Discover England Fund projects.





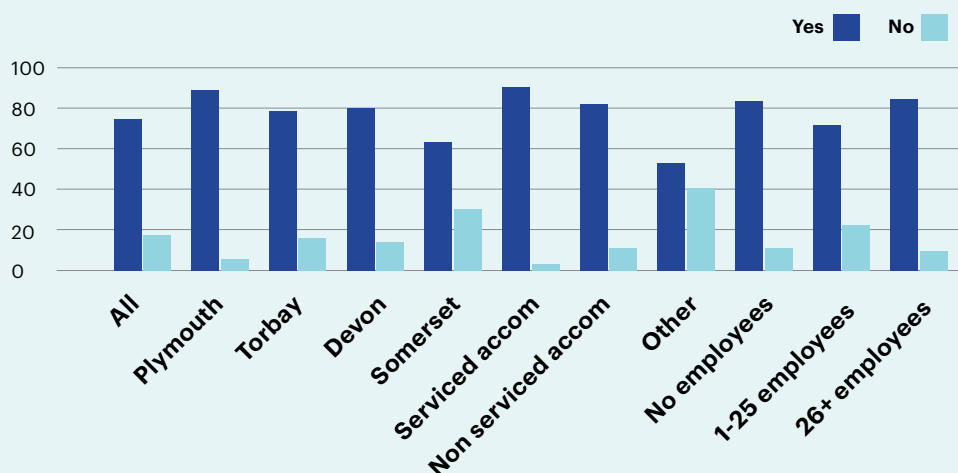
## Marketing

The visitor economy's key markets are Over 50s, families and the visiting friends and relatives (VFR) market.



A businesses' own website is the most common tool used, but 83% are using some kind of social media for marketing activity. Other digital methods – local tourism website and OTAs are also important but a significant 38% still produce leaflets and 34% advertise in newspapers and magazines.

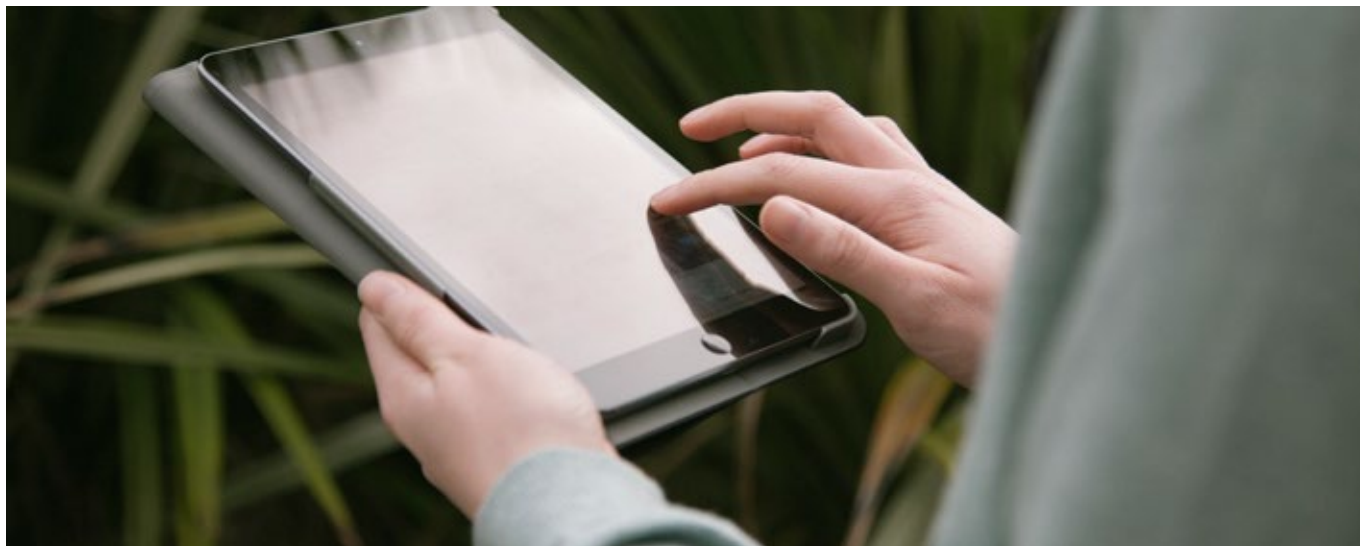
81% of respondents take online bookings. As the chart below shows there is some variation by origin and size of business and business sector. Accommodation businesses are much more likely to offer online booking – particularly serviced accommodation at 96%. In terms of location, businesses in Somerset are the least likely to offer online booking and should be offered additional support to address this issue.



Not surprisingly, the key brands or products used by businesses within marketing their material vary with the location of the business but, overall, the key brands / products considered important to a business' marketing are:

Seaside/coast	55%
Food and drink	38%
Events	37%
English Riviera	34%
National Park	35%
Rural Devon/Somerset	29%
Heritage	26%
Historic town	20%
<b>UNESCO Geopark</b>	<b>11%</b>

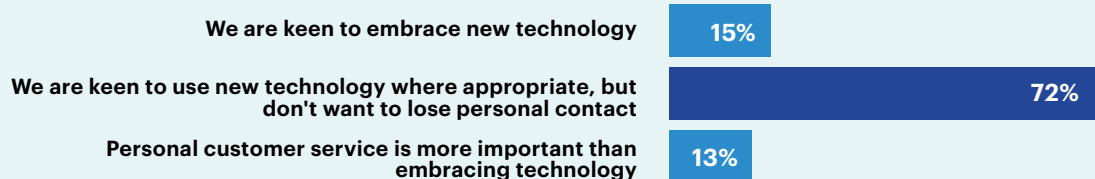
This reflects that businesses see the natural environment and food and drinks offer as key attractors for their guests. Heritage and the UNESCO Geopark present a growth opportunity not being fully utilised by businesses at present but very much aligned to the product of the region.



## Product Development

When considering changes to their business and adoption of technology, the majority of businesses are keen to embrace new technology but not at the expense of personal contact with their visitors.

### ATTITUDES TO ADOPTING NEW TECHNOLOGY



Just over half of the businesses surveyed have considered some kind of product development although the serviced accommodation sector is less likely to have done so (39%). **The most common developments focus on building winter and off-season product and include:**

- **Events** – focussing particularly on winter and Christmas, this includes either developing their own events or promoting existing ones to build their seasonal marketing offer
- **Courses** – offering cookery, yoga, driving or other courses
- **Experiences** – e.g. Airbnb style experiences
- Targeting walkers with special packages and facilities
- Special breaks in early and late season
- Discounts and special offers
- Improving accommodation offer with heating, insulation
- Adding hot tub or sauna to improve the wellness offer
- Weddings, hen nights and other celebration events
- Corporate or private hire

Stakeholders had a large range of ideas for product development including focussing on wildlife (particularly for winter), wellness tourism, culture and cultural events, adventure tourism, experiential tourism, food and drink, sport, the Geopark and making more of the opportunity of England's Coast Path. These ideas are developed further later in this report.

**Of those businesses who had not considered product development, a significant proportion did not understand what product development meant!** This needs addressing through a programme of training and skills. Many businesses were happy with their level of business and were not interested in extending their season. Some were content to take the winter off for work/life balance or for maintenance and improvement work, others stated they did not want to take their business over the VAT threshold.

# Impact of Covid-19 on Businesses

This section, completed in November 2020, uses a mix of Great South West and national business survey results to understand the impact of Covid-19 on the Visitor Economy to date. This is a constantly changing position and represents the current position on businesses at a point in time. This section must be updated at regular intervals to understand and adjust recovery plans as the ongoing Covid-19 situation develops.

The last wave of the GSW business survey undertaken in August 2020 showed that at that time:

- 5% businesses remain closed
- A third were operating at less than 75% of capacity
- **Turnover had decreased January – July by 56% equating to £1,080m for tourism across Devon and Somerset and an additional £310m of associated supply chain revenue**
- 45% of businesses had staff furloughed, 21% had reduced staff hours and 9% of businesses made or planned redundancies
- 84% of businesses noted a change in their consumer profiles with the loss of overseas visitors most notable, followed by 69% of businesses stating an increase in new customers to their business, there was also 43% of businesses noting they had fewer older visitors than normal
- Two-thirds of businesses responding had signed up to the Good to Go standard across Devon and Somerset
- Two-thirds said they felt a national domestic marketing campaign was important or very important
- 23% felt they could only survive until 31st March 2021 and a further 21% were unsure how long their business could survive.

A more recent national coastal business survey by the National Coastal Tourism Academy completed in October 2020 (just prior to the announcement of the November England-wide lockdown but whilst operating in the tier structure) showed that:

- 7% of coastal tourism businesses had permanently closed
- Three quarters of businesses were open at less than 75% capacity
- 16.6% were planning to open longer into season, offset by 12.5% reducing their seasonal opening
- 43% of coastal tourism businesses say Government schemes to date have made “a significant difference between survival and collapse”
- 68.4% of businesses felt ongoing Government support will make “a significant difference between survival and collapse” though and notably the support businesses now say they need is grants (66%), Business Rate Relief (51%), VAT extension (33%) and SEISS (33%)
- **62.5% state it will take more than a year before they can return to a profit**
- **33.8% of businesses are unsure about their survival until March 2021**
- 30.5% of businesses have reduced their staffing levels, 5.2% have increased their staffing

Positively though, the NCTA survey showed that **60% of coastal tourism businesses were planning to rethink their product of marketing proposition to aid recovery with most considering attracting new audiences (45%) or creating new experiences (33%)**

**There is no doubt that the loss of: Events programme; International Education; Coach Groups; Business Events and conferencing (especially for Torquay, Exeter and Plymouth); Cruise and Ferry (Plymouth); and a significant proportion of the Night-Time Economy, has had a significant impact on coastal and rural areas, and that the ongoing uncertainty and changing restrictions are a heavy burden for the small and independently owned businesses that are prevalent across the Heart of SW LEP area.**



## Summary of Business position

The key findings from the pre-Covid business survey were that 74% of businesses are open year round but the industry is still highly seasonal with 25% of businesses generating more than half of their turnover in July and August alone, a further 48% of businesses generating more than a quarter of turnover in July and August. Almost a third of businesses change their staffing across the year to reflect variation in demand. This seasonal nature and changing staffing structure will be further affected by the Covid-19 situation with almost as many businesses seeking to extend their season and those looking to hibernate for Winter 2020-21.

Positively though, 60% of businesses were trying to grow their business pre-Covid, rising to 92% of businesses with more than 26 staff. Poor weather and attracting new business were seen as the top two challenges although among serviced accommodation the dominance of OTAs and competition from Airbnb were really important. Almost three quarters of businesses (72%) identified “attracting more off-peak visitors” as the key to delivering growth, followed by increased media coverage of the region (60%) and events (45%).

The latest survey from the NCTA shows that 60% of businesses are looking to alter their product or marketing to aid recovery with the priorities of new audiences and new experiences still the top options being considered by businesses. Similarly, the SW Business Survey showed the importance businesses place on a national marketing campaign to drive recovery.

Staffing challenges among bigger businesses were largely in line with national trends and include chefs and entry level posts such as kitchen staff and cleaners. Digital Skills training was identified as a need for almost a third of businesses (30%) and customer service training for businesses employing more than 25 staff particularly (25%).

Pre-Covid-19, Over 50s, Families and Visiting Friends and Relatives markets were the most important to businesses though millennials were important to

Plymouth businesses and special interest markets, such as walkers in particular, were key for some businesses. Germany, Netherlands, France, Australia / New Zealand and USA / Canada were the key overseas markets with a notable increase in the volume of North American visitors prior to 2020 as a result of Mayflower 400 and the Discover England Fund.

Understanding the permanent versus temporary changes in the consumer mix experienced during 2020 will be key to building recovery and is explored in the trends section.

Pre-Covid-19, businesses were using their own website and digital channels for the majority of their marketing, and 81% of businesses are taking online bookings – rising to 96% of service accommodation. 72% of businesses were keen to embrace new technology but not at the expense of personal contact. Digitalisation has been accelerated during Covid-19 and therefore these figures are likely to have been increased and the new business needs for digital support should be explored in future business surveys.

Product development is being considered by 6 out of 10 businesses with the other 4 out of 10 either not understanding what is meant by product development or largely happy with their current business’ levels for either tax or personal reasons. Working with that 60% of businesses looking to adapt and develop should be the core focus of initiatives to support the recovery of the sector.

Lobbying for continued support of the sector to ensure that businesses survive into 2021 is a top priority, further, recognising that many businesses do not anticipate returning to a profit until 2022 and the impacts this will have on the wider economy, supporting the sector to recover quickly through support for product development and marketing campaigns to drive bookings and convert consumer interest must be a core focus of the recovery plans.



# Destination Management Organisations

Please note, this section was completed prior to Covid-19

## Visit Somerset

Visit Somerset is a community interest company established to promote the whole county of Somerset. It has around 400 members and is funded 90% by the private sector with a small contribution from Taunton West and West Somerset Council. It also has some support from the Hinkley Tourism Action Partnership e.g. supporting the recent revamp of their website. Until recently its services were managed by Ignyte but these have recently been brought back in house. Its very limited budget pays for two members of staff.

Its functions include managing the brand, the website, visitor guide, eBook, photo library, social media and all other marketing communications. It organises trade fairs, publicity campaigns, newsletters, seminars and familiarisation tours.

125,000 copies of its annual guide were produced this year geared a little towards millennials who they see as a potential growth market. Other key forms of promotion are their website, a PR agency and social media including Twitter, Facebook and Instagram.

Going forward Visit Somerset's priorities are to grow its membership and to obtain higher profile for Somerset as a visitor destination. They are in the process of producing a new three-year strategy.

## Visit Devon

Visit Devon was formed in 2016 as a community interest company to grow the visitor economy. It is a private sector-led, non-profit making organisation with directors drawn from the hospitality industry across the region. It currently has over 600 business members and a very limited budget. The website and the membership organisation are run by Ignyte including all back of house, members page, Twitter and Instagram and phones members every 6 weeks with feedback on their Google Analytics. They have a visitor guide but focus resources on face to face meetings with travel trade and PR.

Its priorities going forward are to reduce seasonality aiming to build a 365-day offer, develop business tourism and focus on the US market.

## Draft Strategic Plan

Visit Devon's Vision is "Promoting Devon and the visitor economy for the benefit of the industry and people alike". There are four strategies within the plan:

- Governance Strategy – describes how Visit Devon plans to continue to be a private sector-led organisation, an exemplar in sustainable tourism and to be the key organisation for the visitor economy working with local partners
- Financial Strategy – to be financially independent and to grow the company to £2m in 3 years.
- Membership and IT Strategy – to maintain a world class website which provides good marketing opportunities for members and to successfully promote experiences, accommodation and all that Devon has to offer. Aim to increase membership to 1000 and has ambitious targets for website visits for the next 3 years.
- Marketing Strategy – to promote the region to domestic, international and business visitors using digital campaigns, social media, building relationships with the travel trade and PR.

## Discover England Fund project

A key activity of Visit Devon over the last few years has been delivery of the DEF project – Cornwall and Devon. The project focusses specifically on the US market working closely with the travel trade. It has researched carefully what the Americans like about Cornwall and Devon and is producing 5 experience packages and 5 itineraries designed specifically to meet a very specific part of the US market. They focus on easy access to the countryside, heritage, culture, literature, and Celtic roots with emphasis on authentic experiences including meeting local people – "sight-doing" rather than sightseeing,

A key learning point is that they have done very specific research with their target market and are designing the product to meet the need.



## English Riviera

The TDA provides business and property services in Torbay area and is responsible for the delivery of the Torbay Economic Strategy which aims to secure economic growth, tackle inequality and create change across all sectors of the economy. The TDA works with Torbay Council and the English Riviera Business Improvement District (ERBID) to provide destination management services for Torbay.

Marketing of the English Riviera is the responsibility of the ERBID. It's 2,000 members are all BID levy payers with a rateable value of more than £3,000 and include 90% of accommodation, restaurants, attractions, transport, activity providers, night-time economy and sports clubs in the area.

The current focus of ERBID is to secure a second term through a successful ballot later this year and hence funding for their strategy. The priority of the destination is to have a stronger year-round offer and to be able to offer staff year-round contracts.

## English Riviera Destination Management Plan

While recognising that the summer season is important, the aim of the plan is to attract new visitors all year round. The plan will be delivered by a partnership of all key players in the area including the Council, ERBID, TDA, Torbay Culture Board and other major stakeholders. It's objectives (actions) are:

- Increase year-round growth in numbers for UK domestic and international visitors
- Extend the current season beyond the school holidays
- Attract new international and UK visitors
- Increase visitor spend
- Attract investment and re-investment into Torbay
- Ensure sustainable delivery of marketing activity for the destination
- Raise skills levels in the sector

Six priorities have been identified to help deliver the plan. These include partnership working, product development – with focus on cultural offer (Agatha Christie and Geopark), marketing development and communication, developing the destination, visitor experience, skills and business development.

## Destination Plymouth

Destination Plymouth is a public/private sector partnership established to increase visitors to the city of Plymouth and the surrounding area with specific objectives to grow visitor spend and tourism related jobs. It is funded by Plymouth City Centre Company, Plymouth Waterfront Partnership and Plymouth City Council with additional income from a membership scheme and support from businesses in the area. There are around 1600 business members plus 40 commercial members.

Destination Plymouth hosts the visitor website, carries out marketing activities (both international and domestic) and uses social media to promote the city. As a DMO it is also responsible for signage, training for businesses and networking.

The organisation has recently commissioned a new Visitor Plan 2020-2030 with ambitious targets for growth of the visitor economy. Finalising this plan is a key priority for Destination Plymouth over the next eighteen months along with the effective delivery of the Mayflower 400 event programme. Longer term it hopes to add some sustainability to the Mayflower Project making it more long term and to develop the cruise market.

### Visitor Plan 2020-2030

The new visitor plan begins with a reflection on the success of the previous 10-year plan showing a 20% growth in visitor numbers and spend resulting in more than 5 million people visiting the city each year spending £347m.

However, it recognises that productivity is low and that in spite of flagship projects such as Mayflower 400 and The Box, the majority (85%) of visitors to Plymouth are day visitors. To increase spend it needs to attract more high spending staying visitors from Britain and overseas. The targets are:

- To grow visitor spend by 30% from £347 million to £450 million in a decade
- To increase the total visitor numbers by 15% from 5.1 to 6 million by 2030
- To make international tourism worth £60 million a year spend in the city, that's 65% growth by 2030
- Grow UK staying visits by 25% to achieve £150 million spend, focusing on leisure short breaks
- Make business meetings and conference tourism worth £25 million a year in spend to the city, a 55% increase in a decade, using Plymouth's industry strengths to create a strong positioning=

The above will be achieved through the development of three key themes:

### OUR BLUE-GREEN CITY

**"Our National Marine Park will be globally recognised for amazing experiences by, on, in and under the Ocean"**

Based around the development of the new National Marine park, projects will include the development of Plymouth's Waterfront, the Mount Batten Water Sports and Activities Centre and other sites and working with the local community exploring the use of digital and marine tech to create new stories about Plymouth's relationship with the sea.

### OUR BRILLIANT CULTURE

**"We will be known internationally for jaw-dropping art, authentic cultural experiences and our urban art"**

'The Box', the new heritage and cultural venue and Mayflower 400 present an opportunity for Plymouth to be repositioned as the cultural capital for Devon and Cornwall. Projects will include the development of music and the night-time economy and a new 'visitor quarter' at Devonport.

### OUR PREMIER DESTINATION

**"We will be Devon and Cornwall's premier visitor destination and a top ten UK city break"**

The aim is to present Plymouth as an 'urban base' and a gateway to local national parks, beaches and other coast and countryside.

### Discover England fund Project

Destination Plymouth's DEF Project – Connections - works with the travel trade to get new product on sale to the US market. It has developed four new themed itineraries:

- United Allies – highlighting the WWII connections between US and UK
- Old Stories of the New World – showcasing stories of migration from UK to US including Mayflower
- Origins of Faith
- Ancestral Services



## Summary of DMO Landscape

Apart from Plymouth, the key DMOs are largely funded by private sector income so increasing and satisfying their membership is a key consideration. The DMOs have a Visitor Plan but these vary in terms of their sophistication and how recently they have been updated.

A core function of all DMOs is to promote their area to visitors and for all, their most significant tool is their customer facing website. This is supported by social media including Facebook, Twitter and Instagram. Some produce annual guides and PR is also important to all. Visit Devon, Destination Plymouth and the English Riviera all work with travel trade particularly in relation to overseas tourists.

The scale of the DMO operation varies widely, largely dependent on budget available but all are focussed on raising awareness of their area as a tourist destination

and reducing seasonality. Although they may have a different approach, all recognise that improving productivity of the industry is important whether through attracting more staying visitors, higher spending visitors, more business visitors or simply trying to extend the season.

Both Visit Devon and Destination Plymouth are focussing strongly on the US market through their current DEF projects – US Connections (alongside Mayflower 400) and Cornwall and Devon. Where possible it is recommended that the wider range of DMOs work closely together to align their plans and make more effective use of limited resources to ensure a coordinated response to the LEP, businesses and national stakeholders.



# Regional wider Perspective

This section of the report was completed prior to Covid-19 and will consider the wider regional perspective and how it may influence on the tourism industry.

## Heart of the SW LEP Local Industrial strategy

The Heart of the South West LEP has published its draft Local Industrial Strategy. It describes the area's commitment to grow the economy by capitalising on new and emerging technologies whilst reducing the area's carbon footprint, increasing social mobility and protecting and enhancing the natural environment.

The document's introduction describes the globally competitive industrial strengths including Hinkley Point, the Naval Base, the Met Office, the Hydrographic Office and the businesses associated with these key strengths. It also recognises the huge natural assets the area has and their position as a bedrock for the farming, food and fishing industries and the visitor economy.

In spite of these assets the Strategy recognises that the economy is not as strong as it could be and that the South West performs poorly on a number of productivity indicators compared to the national average. It suggests that the new Local Industrial Strategy will provide the opportunity to transform the economy through clean and inclusive growth. It will focus on three key industries:

- Energy
- Engineering
- Digital Growth

Underpinning the strategy there are proposed actions linked to each of the five Industrial Strategy foundations – Ideas, People, infrastructure, Business Environment and Places. The Visitor Economy is recognised as part of one of the objectives to ensure prosperity for 'places':

"The Heart of the South West will lift economic performance in all areas, including underperforming towns, peripheral areas and coastal communities, to grow the economy and minimise the gap between the best and worst performing areas." This will be achieved by:

- Protecting and enhance the natural capital assets and facilitate a new model of natural capital led growth;
- Improving the productivity of the visitor economy and generate higher value tourism, aligned with the Tourism Sector Deal;
- Improving the productivity of the farming food and fishing sectors whilst maintaining and enhancing ecosystem services; and,
- Ensuring that all places become clean growth settlements

The visitor economy is recognised as part of the Local Industrial Strategy but at present has a very minimal presence.

## The Great South West Prospectus

Put together by a group of business leaders, LEPs, universities, colleges and local government, the Great South West Prospectus seeks to gain formal recognition for the area with the following vision

"The Great South West is the Powerhouse brand to promote the LEP areas of Cornwall and the Isles of Scilly, Heart of the South West and Dorset. It aims to deliver £45bn of economic benefit and become the leading region for the green and blue economy"

It specifically calls for an identified minister to link with Government and a funding package to develop a full business case for the Prospectus proposals. The Prospectus focuses on:

- Clean – ensure the South West becomes the first zero carbon region in England
- Smart – have the power, digital and transport network needed in future
- Connected – support the technologies that will generate prosperity

Two broad sectors have been identified where there are real opportunities to grow the economy in a sustainable manner:

- The Blue Economy – aspects connected to the marine environment
- The Green Economy – connected to the land-based environment

Linked to both the Blue and Green economies it recognises the importance of the visitor economy particularly in rural and coastal communities. It aims to increase productivity by 5% within two years and to build its position as a leading region for green tourism and to use new technologies to improve offer to visitors. It also declares its ambition to be one of the first Tourism Zones.

# National Perspective

This section of the report will consider the national tourism sector structure, priorities and opportunities for growth.

## National tourism value and volume

- Tourism in the UK pre-Covid was worth £127 billion representing around 10% of GDP
- Tourism supports 3.1 million jobs, 9.6% of total jobs in 2013<sup>2</sup>
- International visitors spent £22.9 billion in 2018<sup>3</sup>, with top source markets USA, France and Germany – SW region has 4.95% of spend and 6% of all inbound international visits.
- British residents spent £24 billion on 118.6 million overnight trips in England in 2018<sup>4</sup> - the SW region is the highest Domestic market with 19.1m trips (16.1% of UK) and £4.338bn spend (18.1% of UK)
- British Day Visits market in 2018 comprised of 1,703m day trips worth £63.7bn<sup>5</sup> – day visits to the SW region accounted for 8.7% of all visits and 9.2% of all spend

**The current forecast for 2020** by VisitBritain (as of December 3rd) shows a decline in Inbound Visitors of 76% in visits to 9.7 million in 2020 and a decline of 80% in spending to £5.7 billion. This would represent a loss of 32.3 million visits and £24.7 billion spending. The Domestic forecast (last updated July 2020) shows a reduction of 49% in tourism spend to £46.8bn. This comprises £12.6bn from overnight tourism and £34.2bn from day trips. **Thus, the combined result is a reduction in spend across all markets of £69.5bn versus 2019.**

## National structure

The British Tourist Authority comprises VisitBritain, the National Tourist Board for Great Britain focused on promoting Britain to the rest of the world, and VisitEngland, currently responsible for promoting England to the rest of the UK.

VisitBritain operates in 16 markets globally and with an annual core budget of £19.5m, has very limited spend compared to other countries. VisitBritain's target markets are shown below, but most of their activity is focused on Explorers (broadly over 55s) and Buzz Seekers (under 35s) except in specific markets, for example Australia, where Adventurers are key audience.

VisitBritain is currently using the "I Travel for..." branding which is based on passion points and motivations for travel, showcasing Britain beyond the key icons and creating a reason to travel now rather than at some point in the future. VisitBritain's activity is boosted by GREAT funded activity in core markets such as Germany.

VisitBritain target audience profiles		
Buzzseekers	38%	Younger, 64% aged 18-34 Free spirited and spontaneous, they like to take holidays full of action and excitement
Explorers	23%	Older, 58% aged 55+ Content to enjoy holidays at a more relaxed pace. Nature lovers, enjoy the outdoors as well as must-see sites and enjoy embracing local culture
Adventurers	16%	Older, 67% aged 45+ Enjoy travelling off the beaten track, spending time outdoors in nature and seeking out new experiences
Sightseers	12%	Older, 57% aged 55+ Like to stay within comfort zone, prefer cities and countryside and seek sensible, well-planned trips
Culture buffs	12%	Average age 37 years Image and brand conscious, travelling often is a status symbol and they like well-know and safe destinations

<sup>2</sup> Deloitte 2013 <https://www.visitbritain.org/economic-impact-and-employment>

<sup>3</sup> IPS 2018 Snapshot <https://www.visitbritain.org/2018-snapshot>

<sup>4</sup> GBTS 2018 [https://www.visitbritain.org/sites/default/files/vb-corporate/40413193-260c\\_gb\\_tourist\\_annual\\_report\\_2018\\_fv-v3.pdf](https://www.visitbritain.org/sites/default/files/vb-corporate/40413193-260c_gb_tourist_annual_report_2018_fv-v3.pdf)

<sup>5</sup> GBDVS 2018 [https://www.visitbritain.org/sites/default/files/vb-corporate/gbdvs\\_2018\\_annual\\_report.pdf](https://www.visitbritain.org/sites/default/files/vb-corporate/gbdvs_2018_annual_report.pdf)



Business Visits and Events activity had been increasing in priority through the Business Events Growth Programme. This programme provides support for Bid Enhancement & Support (winning new international business events for the UK), International Delegate Growth (to support the growth of existing business events) and Government Advocacy to support the UK's business events industry.

Across VisitBritain and Visit England core activities include marketing, coordinating and attendance at key trade shows, working with international travel trade, research and business support. The VisitBritain PR team regularly issue calls for content to support regional or multi-market campaigns.

Visit England's core budget is £7m and since 2015 Triennial Review has a remit to promote England to the rest of the UK, with a significant reduction in staffing, budgets and activity - the promotional focus pre-Covid-19 was on Under 35s through its #mymicrogap campaign.

Since Covid-19, VisitEngland has focussed on the safe re-opening and recovery of the sector, through the provision of guidance and support and creation of the "Good to Go" standard. Domestic marketing campaigns have included "Enjoy Summer Safely" and "Escape the Everyday" with activity pivoting between inspiration and practical booking messages depending on the tier levels or lockdown status of the country / region in which campaign activity is being delivered.

Internationally, VisitBritain has focussed on keeping Britain top of mind with core audiences through inspirational content focused on our culture and heritage. Although plans are continually being adjusted, the intention (as at end November 2020) is that booking campaigns will recommence in Spring 2021 across markets with low levels of infection, a travel corridor arrangement and where supply routes are still active or recovering.

Over the past 3 years, a core focus for VisitEngland has been the delivery of the Discover England Fund – a £40m challenge fund focussed on spreading international visits to the regions of England and developing world-class bookable product for international visitors. There have been over 50 projects funded through the scheme including 14 "large-scale" projects.

#### **Relevant Discover England Fund projects are:**

- Connections – led by Destination Plymouth and linked to the wider Mayflower 400 activity
- England's Coast – run by the National Coastal Tourism Academy, focussed on increasing the number of visits to the coast from Explorers from Germany, the Netherlands, France, Spain and Italy – and which now incorporates the England's Seafood Coast project
- England's Walking Trails – coordinated by Marketing Peak District, includes the South West Coast Path and focusses on Germany, Netherlands and USA.
- Devon & Cornwall / England's GREAT South West Peninsula – coordinated by Visit Cornwall and Visit Devon, focusses on USA as follow up to 2005 GREAT activity – see Visit Devon section above for further information.

The first three of these projects have been awarded recovery funding in 2020 to undertake domestic marketing activity to support the recovery of the sector from Covid-19.





In January 2020, VisitBritain and VisitEngland launched their new five-year strategy (2020-2025) with an ambition to make tourism one of the most successful and productive sectors for the UK Economy. Originally focused on growing tourism to attract 49 million visits per year by 2025 spending £35 billion. VisitBritain (VB) aimed to achieve this by:

- Growing the value of Tourism. Focussing on the most valuable visitors plus those with highest propensity to travel. VB will choose the most effective channels and encourage repeat visits, building a pipeline of major international events, using domestic marketing to focus on 19-34yr olds and make the UK a more accessible destination.
- Driving the dispersal of tourism value across Britain. Working with Visit Wales, VisitScotland and VisitEngland to build regional product and route development. Addressing product gaps through their new platform TXGB and identifying new Tourism Zones to drive growth.
- Supporting productivity optimisation. Focus on developing product that extends season and length of stay. Delivering platforms to aid connectivity. As part of the Tourism sector Deal, develop a new tourism data hub to gather insights to inform policy and businesses. Help the industry build digital skills and work with venues and locations to match international events opportunities.
- Being the expert body on growing tourism. VB will build expertise on policy issues and provide data to inform government decision making as well as project manage the implementation of the Tourism Sector Deal initiatives.
- Delivering a clear strategy for England

It is not clear at this time how this strategy will evolve to support the recovery of the tourism sector, although

the ambitions in terms of dispersal, productivity and providing data and expertise to government are likely to feature strongly in recovery. VisitBritain / VisitEngland have been awarded £5m of recovery funding for the 2021-22 financial year, although details of how this will be allocated are not yet available.

VB have identified the importance of working in partnership with others and acting as an enabler. VisitEngland currently estimates that there are over 200 Destination Management / Marketing Organisations (DMOs) in England, these vary in size, remit and resource significantly. Destination Plymouth, Visit Devon and the English Riviera are well connected to VisitBritain and VisitEngland and therefore ensuring the Heart of SW area is represented at a national level.

## Funding

As well as the Discover England Fund mentioned above, in recent years there have been a few other significant funding streams which have benefited the tourism sector including:

- Cultural Destinations Programme – a joint initiative between Visit England and Arts Council England focussed on engaging the tourism and culture and arts sector. At present no further information is available on future funding rounds.
- Coastal Communities Fund – has supported a significant number of tourism related projects over the last 8 years but again no further funding rounds have been confirmed at this time.
- Great Place Scheme – which has benefited Torbay and is funded by Arts Council England.

**Going forward, the newly announced Shared Prosperity Fund and Levelling Up Funds could provide significant opportunities for Devon and Somerset.**



## National skills issues

Over 3 million jobs are supported by the tourism sector in the UK<sup>6</sup>, of which 85% of roles are in hotels, pubs and restaurants<sup>7</sup>.

The Office for National Statistics<sup>8</sup> report on employment in the tourism industry last published in 2016 shows that employment in tourism nationally had grown by 11.7% over the five years to 2014, more than double the rate of growth in non-tourism related industries. Whilst a more recent study published in 2019 showed the tourism industry has created more than 400,000 new jobs over the last 10 years<sup>9</sup>.

“The Skills and Productivity Problem” report by People 1st<sup>10</sup> highlighted that 21% of hospitality and tourism businesses note that staff lack essential skills, compared to 15% in all UK businesses. The report also explored the productivity issues facing the sector, claiming there is a “revolving door” of staff that creates skills gaps, with over two-thirds of restaurants and hotels (68%) not having a full complement of staff.

Nationally, almost 90% of tourism and hospitality businesses employ fewer than 25 people<sup>11</sup>, in Heart of SW region 96.87% of businesses employ less than 50 people<sup>12</sup>.

In 2015 the NCTA commissioned research with 270 tourism businesses in Brighton & Hove, Eastbourne and the Isle of Wight. The findings were largely similar to previous studies undertaken by the NCTA in Bournemouth and Dorset and national studies undertaken by People 1st. It showed that across the South, chefs remain the most difficult role to recruit. Other roles difficult to recruit were housekeepers, chambermaids (particularly for guest houses) and cleaners. This is similar to the results of the business survey conducted in Devon and Somerset for this report and identifies that the perception of the industry is a persistent and significant issue that needs to be tackled nationally and locally.

## Tourism Sector Deal

On 28 June 2019 the Tourism Sector Deal was announced as part of UK Government’s Industrial Strategy. The Tourism Sector Deal sets out how the government and industry will work in partnership to boost productivity, develop the skills of the UK workforce and support destinations to enhance their visitor offer. It is based on 5 foundations of the Industrial Strategy: Ideas, People, Infrastructure, Business Environment and Places.

Ambitions and activities covered within the deal include addressing skills challenges, improving productivity and addressing seasonality, improving data to understand visitor preferences in real-time, and making the UK the most accessible destination in Europe by 2025.

One key component of the deal is the trial of five ‘Tourism Zones’ to address local market failures. These zones must cover an area that is understood by the consumer and have a coordinated strategy for growth across businesses, LEPs, DMOs and local authorities. Each zone will require Chair and Decision-making board with all stakeholders represented.

A zone may be focussed on:

- Increasing productivity
- Enhancing tourism product
- Extending the season
- Investing in skills
- Making tourism more accessible
- Reducing the environmental impacts of travel

Following the one-year government Spending Reviews in 2019 and 2020, DCMS have now confirmed that further details on Tourism Zones are not expected until at least Summer 2021. Although there are ambitions to undertake scoping activity in 2020-21 financial year to ascertain the size, focus and remit of Tourism Zones and their potential role in supporting recovery.

## Summary of National Current Situation

**Tourism is a significant sector of the economy nationally, and the Heart of SW area represents a significant proportion of the overall market, particularly for domestic overnight spend (18%).**

**VisitBritain, the national tourist board for Britain, has a £5m fund to support recovery in 2021-22 financial year and though plans have yet to be published, is likely to focus on core government objectives of Building Back Better and Levelling Up.**

**Tourism Zones and the ambitions of the Sector Deal are now medium-long term objectives for the government. Tourism Zones when announced, will still be expected to have a coordinated strategy for growth across businesses, LEPs, DMOs and local authorities and have a decision-making board which includes all stakeholders. Establishing this board would be a useful intervention to support recovery and demonstrate the commitment of a region to developing tourism across the potential zone area.**

<sup>6</sup> UK Tourism Statistics, Tourism Alliance 2019 [https://www.tourismalliance.com/downloads/TA\\_408\\_435.pdf](https://www.tourismalliance.com/downloads/TA_408_435.pdf)

<sup>7</sup> Tourism Sector Deal 2019 <https://www.gov.uk/government/publications/tourism-sector-deal/tourism-sector-deal>

<sup>8</sup> Tourism employment summaries: Characteristics of tourism industries, 2014 (3February 2016) by Sean White, Office for National Statistics, available at <http://bit.ly/1Twk20B>

<sup>9</sup> Tourism Statistics 2019, Tourism Alliance

<sup>10</sup> <http://www.people1st.co.uk/Research-policy/Research-reports/The-Skills-and-Productivity-Problem>

<sup>11</sup> Tourism Statistics 2019, Tourism Alliance

<sup>12</sup> NOMIS 2019

# Impact of Leaving the EU

Considering the latest position of the UK Government on the country's exit from the European Union and the impact that this may have on businesses and stakeholders across the Heart of SW area, this section will reflect on the latest political position as at early March 2020, review national research on the potential impact to tourism and responses from businesses and stakeholders across Devon and Somerset.



### The UK's Points Based Immigration System

The government has now published its proposed Points Based Immigration System. From 1st January 2021, EU and non-EU citizens will be treated equally and free movement will be replaced with the UK's Points Based System. Top priority will be given to those with the highest skills and greatest talents. Prior to the start of the points-based system, the current Settlement Scheme for EU citizens has received 3.2 million applicants who will be able to stay and work in the UK.

Applicants wishing to move to the UK after 1 January 2021 will need to demonstrate they have a job offer, they speak English and that the offer is at the required minimum salary level of £25,600. If the offer is at a lower salary level, they can still apply if the job offer is for a role listed as a specific shortage occupation (to be defined by the Migration Advisory Committee MAC).

Under the new system, people wanting to work in the UK need to achieve a total of 70 points or more to apply for immigration. The table below shows how points will be allocated.

Characteristics	Tradeable	Points
Offer of job by approved sector	No	20
Job at appropriate skill level	No	20
Speaks English at required level	No	10
Salary of £20,480 (minimum) - £23,039	Yes	0
Salary of £23,040 - £25,599	Yes	10
Salary of £25,600 or above	Yes	20
Job in a shortage occupation (as designated by the MAC)	Yes	20
Education qualification: PhD in subject relevant to the job	Yes	10
Education qualification: PhD in a STEM subject relevant to the job	Yes	20

Applicants will be able to trade characteristics such as their specific job offer and qualifications against a lower salary level to enable them to reach the required points level. Skilled workers will be permitted to be accompanied by their dependents.

Going forward, there will be no specific route for low skilled workers, but the Youth Mobility Scheme will be continued. This allows young people aged 18-30 from a limited number of countries to live and work in the UK for a maximum of 2 years. The number of places allocated each year is limited and it is not expected that this will expand.



### UK Inbound Research

Before the Immigration Policy was published, UK Inbound worked with Canterbury Christchurch University to research the likely impact of the policy proposed at the time on the tourism and hospitality industry. At this point it was expected that the minimum salary threshold would be £30,000. In the current policy this has been reduced to £25,600 but many of the issues and concerns raised by the research are still valid. The research felt that the sector faced a 'Perfect storm' due to:

- High volume of skills shortages
- High rates of employment in the UK and therefore low available resource
- Low perception of the industry as a career of choice in the UK
- Industry's dependence on EU workers

There were 190 responses to an online survey sent to UK Inbound members and through other tourism associations representing a broad mix of organisations across the country.

Three out of ten businesses (29%) said that EU workers make up more than half of their workforce. Although in the South West reliance on EU workers is not as strong as other parts of the country it was felt there would still be an impact due to the tight talent pool. Accommodation providers (46%) and tour operators (41%) said more than half of their workforce came from EU. In terms of business size, firms with 10-49 employees (small) were the ones most likely to be dependent on the EU.

Over two thirds of businesses (68%) stated that they employed EU workers because the domestic labour market was limited – this rose to 87% among the accommodation sector. More than half (52%) said there was a lack of home-grown talent. 56% believe there is a negative perception of tourism/hospitality careers. EU nationals were perceived to have good customer service skills and 49% said this was a driver for recruitment.

Three quarters of organisations (77%) with difficulty to fill vacancies reported that it is more difficult to fill vacancies since the referendum – 84% of accommodation providers and 54% of pubs, bars etc.

Of those who employ EU workers, 82% have more than half of their workers earning less than £30,000

This research highlights some of the key challenges for businesses with a reliance on EU workers but it should be noted that the sample size for businesses in the SW is relatively small.



# Opinions of Businesses and Stakeholders on the likely Impact of leaving the EU

The majority of businesses in Devon and Somerset employ none or very few staff from the EU which will undoubtedly impact their thoughts in relation to the impact of leaving the EU.

Employee origin	All businesses	Plymouth	Torbay	Other Devon	Somerset	Serviced	Non-serviced	Other	No employees	1 to 25 employees	26+ employees
UK	95%	88%	95%	95%	97%	90%	97%	96%	-	95%	92%
EU	4%	10%	3%	4%	3%	7%	2%	3%	-	3%	7%
Other overseas	1%	2%	2%	1%	-	3%	1%	1%	-	1%	1%

Those most likely to employ staff from the EU are larger businesses, those in the serviced accommodation sector and in Plymouth, but numbers are still very small.

Around half of the businesses responding to the survey had not completed any research about the impacts of leaving the EU on their businesses, the majority of the other half had reviewed government websites, or publicly available information with a minority who had sought professional advice on the impact to their businesses.

When asked about the likely impact on visitor numbers 41% don't think it will make any difference to domestic visitors, 44% think there will be no change in visitors from the EU and 72% don't think it will affect the number of visitors from outside the EU.

Thinking specifically about domestic visitors, 49% of businesses think there will be some increase in domestic visitors as a result of leaving EU and less than 2% think the numbers will go down. Those who employ more than 26 staff are the most likely to think domestic business will increase (68%). The majority of stakeholders support this view.

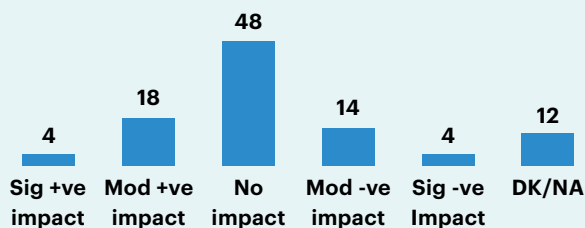
Expectations in relation to visitors from the EU are a little different. 48% of businesses are not expecting any change but 34% expect some decrease in numbers compared to 11% who predict an increase in numbers. A number of stakeholders reported concerns about the potentially negative messages going out to overseas visitors and noted that with such huge global competition Devon and Somerset, along with the UK as a whole, needs to offer the very best welcome possible. In Devon some destinations have already noted slightly slower growth in European markets.

When it comes to travelling with pets, just over a third don't know what the impact will be but 19% expect some kind of decrease which could impact businesses which are actively starting to become more dog friendly.

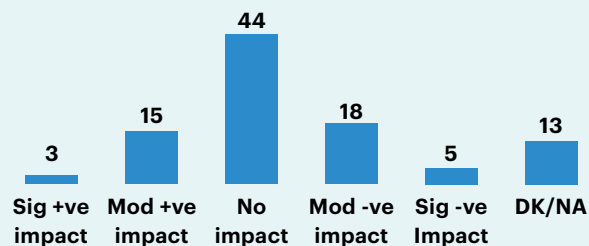
In terms of visitors from outside the EU, 11% don't know what to expect, but the majority – 72% -don't think it will make any difference to numbers. However, many stakeholders have noticed an increase in the number of North Americans visiting as a result of the various Discover England Fund projects and the change in exchange rates.

Respondents were asked to express what impact they thought the current plans for leaving the EU might have on their business in terms of remaining competitive, their ability to expand, their ability to develop new markets, and being able to continue to operate and recruit staff. Most businesses expected no impact on their business levels when leaving the EU for all aspects tested in the survey. Their responses to each of these are shown below.

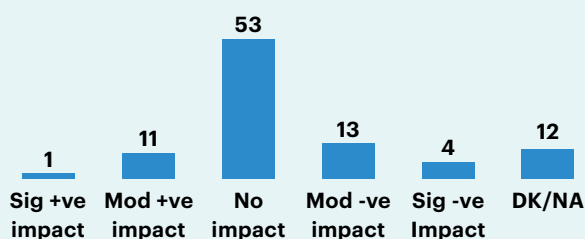
#### REMAINING COMPETITIVE



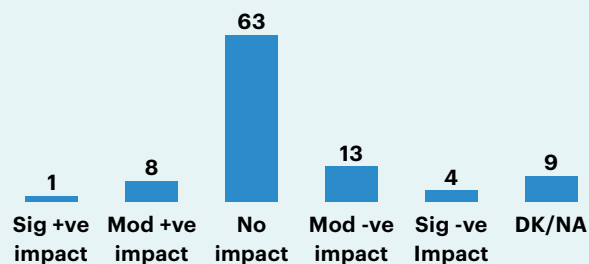
#### ABILITY TO DEVELOP NEW MARKETS



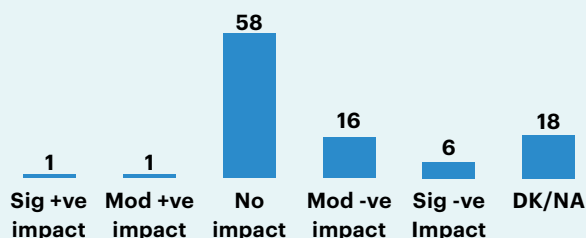
#### ABILITY TO EXPAND



#### ABILITY TO CONTINUE TO OPERATE



#### RECRUITMENT OF STAFF



For most aspects the number of businesses expecting a negative impact is balanced out by those expecting a positive impact. The only area where a clear negative impact is detected is in relation to recruitment of staff with 24% expecting a moderate or significant impact. This figure rises to 31% for those employing 26 or more staff.

In the light of the current government plans to restrict immigration to those earning at least £25,600 respondents were asked how they felt this would impact their business. Not surprisingly in view of the fact that most don't employ EU staff, the majority felt the

question was not applicable to their business or they would see no impact. However, a number recognised that although it wouldn't impact them it could affect the wider visitor economy. A number noted that it would make it virtually impossible to employ EU staff as the majority of their staff would be earning less than the £25,600 threshold.



## Summary of Impact of leaving the EU

Nationally there is a significant concern among the visitor economy that leaving the EU will have a number of detrimental impacts on the industry, not least the recruitment of staff from the EU, particularly with the current proposed earnings threshold of £25,600. Across Devon and Somerset however, businesses on the whole feel differently, in part due to the large number of micro and small businesses who do not employ any EU staff at present. Stakeholders observed that for many large businesses they have had time to adjust their recruitment strategy since the EU referendum and now no longer rely on EU employees. Stakeholders also felt that small businesses do not have any EU staff and therefore the challenge will be for medium sized businesses without the professional support structure of a larger business.

Almost half of businesses expect to see an increase in domestic visitors as a result of leaving the EU, and a third expect some decrease in EU visitors, with stakeholders concerned about the negative media coverage and quality of welcome that Britain is showing in European markets, particularly Germany.

On the whole, businesses felt they were ready for leaving the EU and the impact on business would be negligible. As this is quite different to the national view, it would be worth considering reviewing the situation once the UK has left the EU to understand if there are issues which arise or become apparent to businesses after the UK has actually left the EU in 2021.

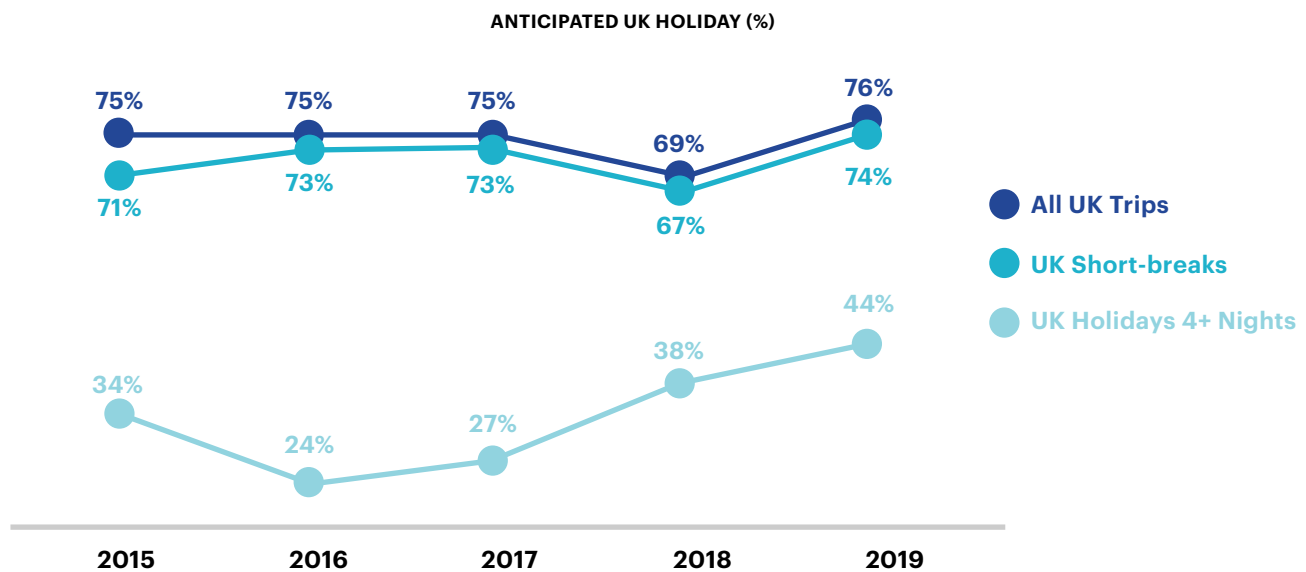


# Future Trends

This next section of the report will review global travel trends to identify opportunities for growth and development that align with the product offer – or potential product offer – across the Heart of SW area.

Please note that these trends were reviewed before the global outbreak of COVID-19 and there is a belief among the industry that consumer behaviour will change as a result of the outbreak, therefore understanding how consumer behaviour may change will be essential to preparing the industry to rebuild. This section has been updated in November 2020 to reflect the latest insight being produced by leading market insight agencies, but we may still continue to see changes to the trends identified below with some becoming more apparent or we may see entirely new trends emerge. As such the trends should be regularly reviewed going forward to ensure that the region is keeping pace with changing consumer needs.

# General Holiday Trends



The global travel industry pre-covid-19 was growing at 3.3% year on year<sup>13</sup>. However, in Western Europe the outlook was more constrained due to the highly mature market. **Customers were increasingly seeking value for money, evidenced by the ongoing success of low-cost carriers and short-term rentals (such as Airbnb).** This is a trend set to continue based on the economic impact of Covid-19.

In the UK, 76% of Britons expected to take a holiday in the UK in 2019 and for 44% of the market the holiday was planned to last for more than 4 nights – a proportion that has increased over the last 3 years<sup>14</sup>. After a short dip in 2018, there was also growth in the number taking short holiday in the UK. City breaks have been a key driver of the rise in short breaks over the last decade. However, during 2020 there has been an increased appeal in seaside and rural areas as consumers seek wide open spaces and less crowded areas in which to holiday, to what extent this trend will continue is not fully known, in the short term it places Devon and Somerset in good position. Longer-term it is likely the trend towards city breaks will recover, in which case there is an opportunity for Plymouth and Exeter.

The Barclays Staycation research was already reporting a trend towards holidays in the UK, with 52% planning to take most or all their holidays in UK in 2019. **People aged 25-34 and 35-44 are most likely to plan their main holiday in the UK, with main reasons for holidaying in UK:**

- Convenience 34%
- To replicate previous holidays 21%
- More affordable 19%

The South West retains its position as the most popular region, with 31% stating they were planning to visit<sup>15</sup>. Throughout 2020, the VisitEngland and BVA BDRC Consumer Trackers have both consistently shown the South West as the top region of choice by consumers.

However, all these reports reflect holiday intentions, by contrast ABTA's Holiday Habits research reports that after two strong years of growth for domestic holidays the percentage of people taking a UK break had actually decreased to 68% from 72% in 2017. They also note that people were spending less while they are away with a decrease in spend per head from £311 to £271 over a 2-year period.

This difference between intention and actual behaviour was also reflected across the consumer sentiment trackers undertaken during 2020, with city breaks performing better than intention scores and top reasons cited for behaviour differing from intention were: concerns there would be too many people (36%); accommodation too expensive (32%); and concern about feeling welcome from locals (13%)<sup>16</sup>.

This presents a mixed view for Devon and Somerset, the South West consistently features highly in destinations considered by consumers but converting that intention to a booking may be a challenge. As with many UK destinations, providing a reason to visit now and act on that intention may prove useful.



## Changes in Demographics

The last few years have seen significant change in population demographics which in turn impact the holidays they require.

The UK and other key global markets have an ageing population, **by 2025 over 55s will make up a third of the UK population (22.6m people)**<sup>17</sup>.

*“According to the UN, in 2040 Europe will become the first continent where the proportion of citizens under the age of 24 will be smaller than the proportion aged over 65”*

- Future Travel Journey.

**Not only are people living longer but generally they have more active lives and adhere less to the traditional order of key lifestages.** The over 60s of today generally have a much broader outlook on what they expect from a holiday than 20 or even 10 years ago. **Also, it is becoming less relevant to think about travellers in terms of their age and more in terms of their interests and experiences they are seeking.**

In the immediate future, COVID 19 may have dented the confidence of older travellers and it may take some time for this to recover. Businesses surveyed across the South West in August 2020 noted a 43% decrease in older customers<sup>18</sup>. However, older people have to date been less affected by the financial implications of COVID 19, particularly those who are retired or close to retirement<sup>19</sup>, and so in the short-medium term it will be necessary to segment audiences based on their financial status, Covid risk and attitude to travel rather than demographics.

## Solo Travellers

The trend for solo holidays has **been growing in recent years**. More than 1 in 6 people chose to go on holiday by themselves in 2019 (15%) an increase from 12% in 2017<sup>20</sup>. The most common reason (76%) for travelling alone is for the individual to have the opportunity to do what they want. Those aged 75 plus are the most likely to travel alone but **the growth in the trend is most notable among the 35-44-year-old age group, where it has risen from 5% in 2017 to 16%.**

Worldwide, travel brands are tapping into this commercial niche and is something UK companies need to be aware of. Solo travellers have their own specific challenges such as having to pay single room supplements and the possibly uncomfortable experience of eating alone – understanding these and offering solutions is a potential growth opportunity.

There is no evidence that COVID 19 has had any impact on the trend towards increased solo travel.

<sup>17</sup> NCTA “Off Peak Coastal Tourism: Potential for growth in the Empty Nesters Market”

<sup>18</sup> Great South West Business Survey August 2020

<sup>19</sup> BVA BDRC Consumer Sentiment Tracker / ClearSight Report

<sup>20</sup> ABTA **Holiday Habits Report 2019**



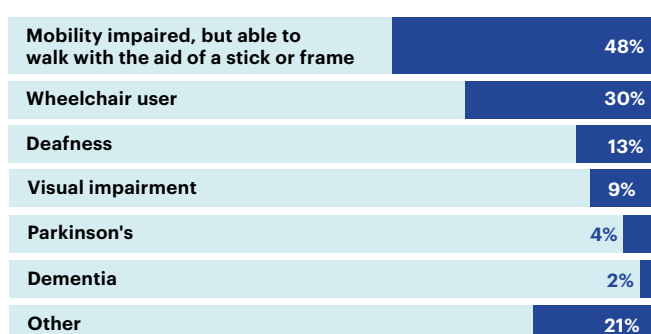
# Accessible Tourism

Accessible tourism is growing on a worldwide basis driven by changing consumer demographics with an estimated one fifth of the world having access needs. Shifting consumer attitudes, regulations and tools available are leading to a global trend to deliver easy travel experiences for all<sup>21</sup>.

The Great British Staycation report produced by Barclays in 2018 noted that **28% of consumers in Britain have a long-term disability or condition which affects their holiday choices and a further 22% have a family member with such a condition. 49% of providers have noted a rise in demand for disabled facilities of which ground level access, flat paths and grab rails are most common features requested.**

However accessible tourism is not just about providing facilities for wheelchair users and those with limited mobility. There are other disabilities which can affect a person's ability to travel as illustrated in the chart below.

TYPES OF DISABILITY OR SPECIAL NEEDS FOR HOLIDAY MAKERS (%)



It is not always easy for travellers to find information about what providers can offer and the level of provision varies by sector.



BDRC Research suggests that 39% of travellers reported they were more likely to holiday in the UK as opposed to abroad when travelling with someone with a disability, and almost 30% of respondents were prevented from taking a holiday at all due to their disability. There is therefore **a strong business case for responding positively to travellers with particular needs as ignoring them means excluding a significant proportion of the potential market.**

**Supporting the case for the development of accessible tourism is the recognition of its importance within the Tourism Sector Deal.** The Industrial Strategy has an ambition for the UK to become the most accessible destination in Europe and an objective to increase accessible visitors by 33% by 2025. Initiatives to support this include plans for BTA to host a conference on best practice, a new landing page on accessible tourism on VB websites and for more accessibility related images to appear in marketing campaigns. VisitEngland recommends that tourism businesses produce an Accessibility Guide to help customers understand whether an individual business will meet their needs and offers comprehensive advice on how to do this on their [website](#).

**Several of the local stakeholders consulted have recognised the growing demand to welcome tourists with access needs and feel that responding positively could help to grow the shoulder season in particular.** There was a feeling among stakeholders that businesses in the South West were more access friendly or at least more aware than other parts of the UK, but it has not been possible to verify this position. It is important to avoid a tick box approach as needs differ so much and visitors need to feel they are being treated as individuals.

Although those with disabilities are not necessarily more at risk from COVID 19 than the wider population, the Centre for Disease Control and Prevention has noted that adults with disabilities are three times more likely to have a serious underlying chronic health condition which could make them more susceptible to the virus. It may take more time therefore than originally anticipated for the expected growth in this market to be realised. However, businesses and destinations still need to be fully aware of the potential of this market and make provision accordingly.



## Sustainability

Sustainability is becoming an increasingly more mainstream consideration for many travellers and consumers, as an increasing number of local authorities, governments and businesses declare a climate emergency and a need to act, **the tourism industry in the UK needs to join the conversation.**

In 2016, the UNWTO calculated that tourism globally accounts for up to 5% of global carbon emissions which puts travel firmly in the spotlight in relation to sustainability targets. **However, a more recent report from ABTA suggests that the global tourism industry now accounts for 8% of greenhouse gases<sup>22</sup>.** Travel brands worldwide are increasingly talking about the impact of the “Greta Effect” on their business, with flygskam (flight shame) taking hold particularly in countries such as Norway and Sweden. In Europe, 58.6% of respondents to Euromonitor’s International Lifestyles Survey stated that they were worried about climate change and a greater sense of urgency is being felt in emerging regions<sup>23</sup>.

Some airlines have set targets to cap net emissions and 2019 saw the beginning of monitoring and measuring carbon emissions by ICAO airline members. In the airline industry, the focus is on energy efficiency, finding alternative fuels and electric aircraft being tested<sup>24</sup>.

ABTA’s Holiday Habits research reports that for 50% of respondents the green credentials of a travel company are important or essential when choosing a holiday, up 5% since 2018 to its highest level ever. BDRC’s annual survey of holiday trends supports this showing that 80% would actively help to deliver sustainability standards at a destination and 61% would pay an additional fee to ensure sustainable tourism standards are met.

However, their trends report also suggests that in spite of increasing concerns over global warming and over tourism in some places, sustainability issues are not front of mind when considering holidays. When asked to indicate the important influences on destination choice ‘sustainable standards’ was ranked 26th out of 29, although it did feature higher when considering wellness and luxury holidays.

There is also a significant gap between the sustainable activities Britons do on their holidays and those they conduct at home. For example, 78% actively seek out recycling bins if they are not available at home but only 31% on holiday, though this is in part possibly due to the very different levels of recycling availability across the country and providers not making it easy enough for holiday makers to comply or act sustainably<sup>25</sup>.

<sup>22</sup> ABTA ‘Tourism for Good’ report 2020

<sup>23</sup> Euromonitor International **Megatrends Shaping the Future of Travel 2019**

<sup>24</sup> Euromonitor International **Megatrends Shaping the Future of Travel 2019**

<sup>25</sup> BDRC BVA Holiday Trends 2019

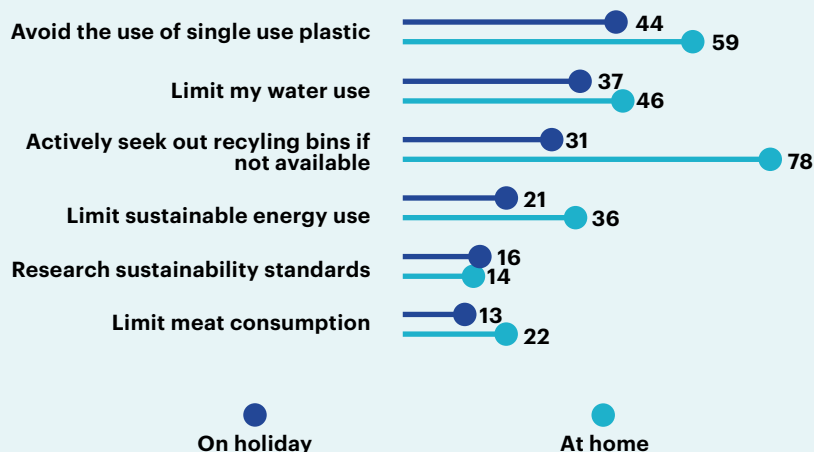
Sustainability is clearly a complex issue and not always easy for consumers to respond to even if they wish to. There is a demand for consumers to act in a sustainable way while on holiday, but providers, both **destination management organisations and businesses, have to make it as easy as possible.**

Recent research from BDRC shows that even during the current COVID 19 situation, consumers are still concerned about the environment and prepared to act to show this support<sup>26</sup>. When asked about how concerned they were about issues such as deforestation, pollution climate change and species extinction there was only very slight change in their responses.

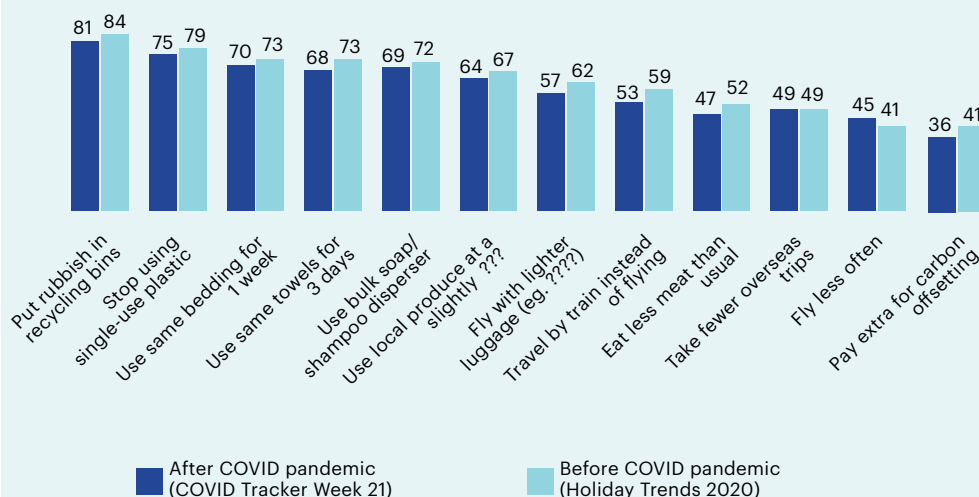
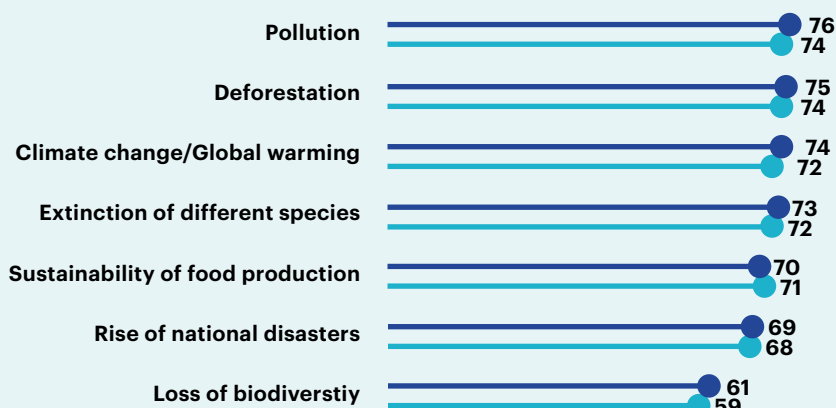
Interestingly though, when considering responses to sustainability issues using BDRC's consumer's attitudes to Covid-risk, the "Life Goes On" segment showed significantly lower scores, pulling down the average, all other segments actually **a significant increase in awareness and concern about sustainability issues since the outbreak of Covid-19.**

The BDRC report also shows as the impact of climate change increases, people are willing to act sustainably while on holiday and there is little change between responses pre and post COVID 19 with customers being more prepared to make changes related to flying.

SUSTAINABLE ACTIVITIES CONDUCTED ON HOLIDAY AND AT HOME (%)



LEVEL OF CONCERN ABOUT ENVIRONMENTAL ISSUES



26 BDRC ClearSight Sustainable Tourism report 2020



A recent Euromonitor report<sup>27</sup> showed that 64% consumers were worried about climate change and **21% consumers will not return to pre-Covid levels of travel**, presenting an opportunity for domestic tourism. The report highlighted that **76% of consumers are now more concerned about sustainability**, yet the number of tourism businesses prioritizing sustainability at the moment was only 42%.

The Environmental Audit Committee Enquiry on sustainable tourism produced by the local government association notes that councils, national parks and other public bodies are well placed to lead sustainable tourism in their areas, with over 100 councils who have declared climate change emergencies. This does not mean imposing unnecessary constraints on a successful tourism sector but working with them to ensure that it becomes increasingly sustainable and brings benefit to local communities without undermining the physical or natural attributes that attract visitors.

Councils are taking already starting to take action locally to reduce their own emissions and that of their communities and visitors, installing electric charging points for vehicles, fitting solar panels and ground heat pumps to buildings, but more could be done to provide advice for residents and small businesses and recognise that even small steps are an improvement.

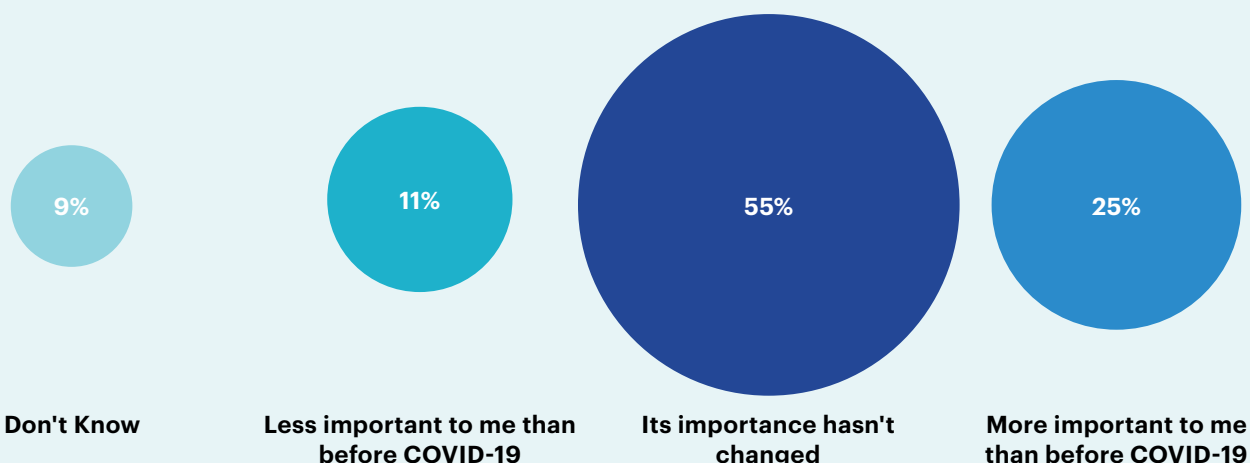
**The Green Tourism Business Scheme**, which originated in Scotland in 1997, promotes greener ways for businesses to operate offering advice on reducing energy, saving water, eco-friendly waste disposal minimising food miles etc. Its awards certification programme recognises the commitment of tourism businesses which are actively working to become more sustainable. In relation to other parts of the country the South West already has a relatively high number of accredited businesses – but compared to the total number of businesses in operation there is huge growth potential.

NUMBER OF ACCREDITED GREEN TOURISM BUSINESS SCHEMES IN HEART OF SOUTH WEST LEP AREA

	Gold	Silver	Bronze
Devon	32	19	8
Somerset	8	10	6

In conclusion, although there is a small sub-set of the public (11%) who believe that sustainable tourism is less important, the trends show that in spite of the COVID 19 crisis, consumers are demanding more sustainable practices, critically a proportion will actively change their travel behaviour which represents an opportunity for the domestic market. However, businesses need to prioritise sustainability as they recover from Covid-19 or risk being left behind.

ON BALANCE, THE BRITISH PUBLIC BELIEVE THAT 'SUSTAINABLE TOURISM' IS MORE IMPORTANT TO THEM NOW THAN IT WAS PRIOR TO THE COVID-19 PANDEMIC<sup>28</sup>



<sup>27</sup> Euromonitor 2020 "Accelerating Travel Innovation after Coronavirus"  
<sup>28</sup> BVA BDRC ClearSight Sustainable Tourism report 2020

# Authenticity and experiences

As travellers have become more sophisticated, they are demanding more from tourism products and in particular, are looking for **more genuine 'authentic experiences'**. Some are increasingly shying away from the obvious sight-seeing hotspots and instead want to live like the locals when they are on holiday.

**Many of them still want to see the key landmarks and hotspots but are increasingly looking for more unusual experiences – both to enjoy for themselves and to increase their social capital by sharing on social media.** Understanding the local heritage and culture of a place and feeling like they have left having a very Devon or Somerset experience is key.

To deliver this authentic experience in a genuine way, a destination needs to understand its USPs as well as what their local resident population truly value about the places in which they live. Engaging the local community and translating that resident experience into the visitor experience is the starting point to delivering authenticity.

## Experiences

Described as 'The Leisure Upgrade' in The Future Travel Journey, increasingly travellers want their holidays to be pleasure rich. They may also want to pursue a range of interests from learning new skills to undertaking self-improving activities or trying new experiences.

As part of their Discover England Fund Programme, Visit England commissioned research into experiences while on holiday.

## Domestic Market – Interest in experiences while on holiday in England

### % interested

Experience life 'behind the scenes'	71
Distillery or brewery experience	75
Street food tour and tasting	70
Guided nature experience	68
A spa experience	70
Vineyard tour and tasting	74
A remote wellness retreat	63
Cookery class	59
Photography class	61

It showed a high level of interest across a range of experiences, but not all experiential activities are equal in driving decisions to go on holiday or choosing a destination. Experiences are the main reason for 1 in 7 decisions to go on holiday, however, these tend to be the niche or low interest experiences, such as working or volunteering holidays, foraging, photography and fossil hunting for overseas markets and guided fishing experiences and spas for domestic market.

Experiences play a role in destination decisions for 50% of international travellers, though again driven by a sub-set of activities. For most people experiences will be just part of their holiday, not the main driver or key component of the whole trip, but a value added or enriching addition. In terms of experience types, learning and food and drink experiences are the most popular with all markets<sup>29</sup>.

Stakeholders across Devon and Somerset are reporting a rising interest in a range of experiences, but providers need support to develop the product further and connect providers who can together create interesting and appealing packages or experience, supporting businesses to work together and identify like-minded businesses was seen as a key focus for a number of stakeholders.

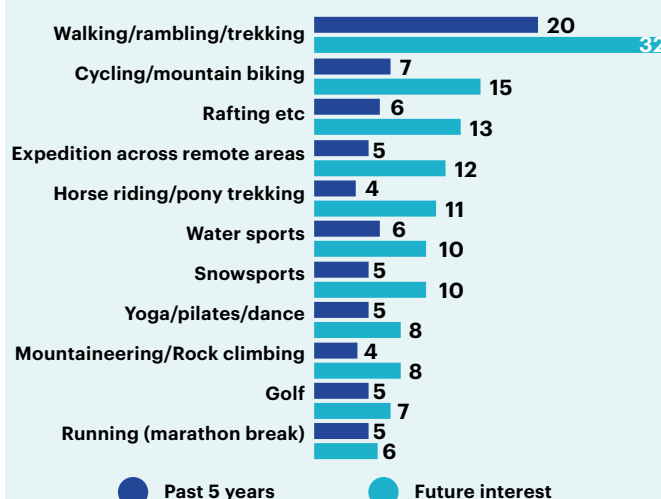
Published since the COVID 19 crisis began, Euromonitor International Megatrends report concludes that **consumers are prioritising experiences over things. They are keen to engage more, have enhanced, more emotional experiences while on holiday.**

# Activity and Adventure Travel

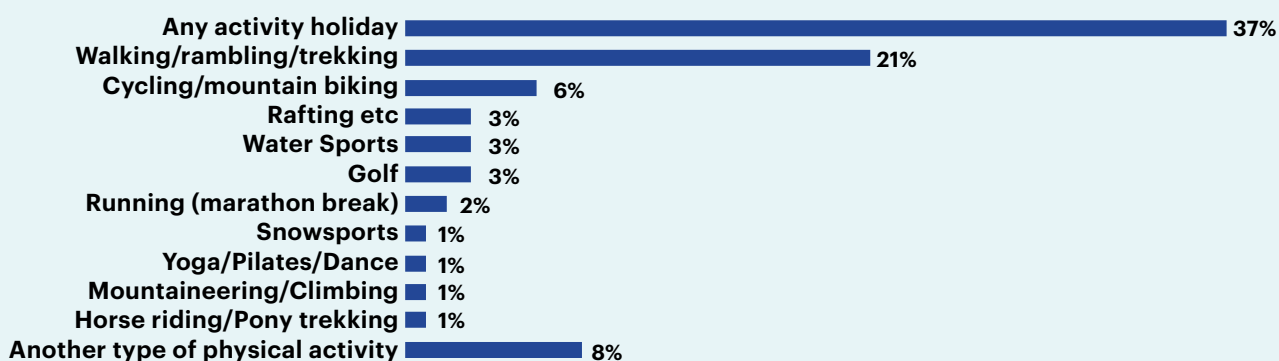
Active and adventure travel are among the hottest trends in the travel and tourism industry at present and have been growing in popularity for a number of years. Active holidays incorporate everything from touring holidays where the main mode of transport is walking or cycling, through to a range of extreme sports such as climbing, coasteering and white-water rafting.

However, not everyone wants a holiday based solely around an activity or adventure, for many it is an exciting addition to their holiday and there is a huge growth in participation of physical or adventure activities as part of a short break or main holiday. The chart below shows the extent to which physical activities have been the main focus for holidays in the UK since 2015 taken from Mintel's research into activity holidays in 2015<sup>30</sup>.

EXPERIENCE IN THE PAST FIVE YEARS VERSUS FUTURE INTEREST



"WHICH, IF ANY OF THE FOLLOWING PHYSICAL ACTIVITIES HAVE BEEN THE MAIN FOCUS OF ANY OF YOUR HOLIDAYS IN THE UK OVER THE PAST 12 MONTHS?"



The 16-34 age group are most likely to undertake a dedicated activity holiday, although NCTA research indicates that only 16% of the overall activity holiday market were classed as enthusiasts (e.g. cycling is key driver for taking holiday)<sup>31</sup>. The wider trend is an increase in older people taking part in activities on holiday, with over 55s also undertaking activities such as surfing, coasteering and stand up paddle boarding. Though walking and cycling were by far the most popular choices of activity.

The biggest driver of activity holidays is 'being outdoors in nature', not health and fitness as might have been expected. Other reasons include de-stressing and the opportunity to 'get off the beaten track'<sup>32</sup>.

Cycling is one of the fastest growing activity segments driven by rising participation in day to day cycling and the development of new cycling infrastructure. Other trends in the activity market include growth in self-guided as opposed to organised group trips and a rising interest in the family adventure market. For the majority of the potential market (two thirds) the interest is in gentle or moderate levels of activity, not extreme sports.

Awareness and bookability were key challenges for this market pre-Covid-19, visitors struggled to find the information they need in advance in order to make arrangements before they travel and there was very little referrals between providers for different types of activities (e.g. surfing provider links to cycle hire, coasteering or other providers), as a result of this a high proportion of activities are booked or arranged in destination, and there is a risk that participation may not occur. This is an issue that needs to be addressed to support growth.

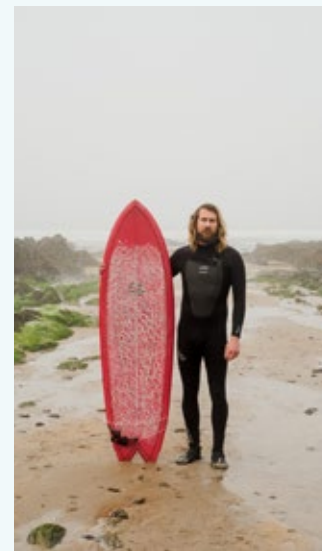
Since the outbreak of Covid-19, booking activities in advance has been a key requirement to enable the safe reopening of the sector and therefore this issue may now have been technically resolved and the emphasis would be on marketing the product and cross-referrals rather than digitalisation of the activity providers.

The increased interest in walking and particularly cycling during the first lockdown in spring 2020 has been clearly documented. This growth in outdoor activity has been noted in VisitBritain's sentiment tracker (October 2020) which shows that consumers are more likely to take part in outdoor sports and activities than previously.

<sup>30</sup> Mintel Activity and Adventure Travel UK, October 2015

<sup>31</sup> NCTA "Activity Holidays: Are they the key to growth on the English Coast?"

<sup>32</sup> Mintel Activity and Adventure Travel UK, October 2015



Leisure venues and activities more or less likely to visit/do as lockdown restrictions lifted

(Net of response 'more likely ' minus responses for 'less likely')

<b>Outdoor areas eg beaches, mountains, trails</b>	<b>+29</b>
<b>Outdoor leisure or sports, e.g. walking, cycling, swimming</b>	<b>+16</b>
<b>Predominantly outdoor attractions</b>	<b>+5</b>
<b>Health or wellbeing activities e.g. spa/retreat/indoor swim</b>	<b>-14</b>
<b>Catering, entertainment and events</b>	<b>-18</b>
<b>Predominantly indoor attractions</b>	<b>-19</b>

Of all trends noted before the COVID 19 crisis, **the increased interest in Activity and Adventure tourism is likely to be one of the most significant going forward**

## Wellbeing

Health and wellness have become extremely popular in recent years and is increasingly becoming a focus for dedicated wellness holidays. Research shows that 1 in 5 British adults now go on a Wellness break each year<sup>33</sup>. **And a wellness holiday is about more than just physical health or spa treatments, it includes mental, emotional, social and spiritual health as well.**

Wellness tourists like to take short breaks (within two hours travel from home) and tend to travel outside the peak season with 66% of breaks taking place between November and April each year. Wellness tourism complements other new forms of tourism such as outdoor activity and adventure, heritage/culture and food and drink tourism<sup>34</sup>. This combination of factors makes this an ideal market to grow off-peak visits particularly when considering the wider wellness offer and abundance of natural resources, cultural and food and drink offer across Devon and Somerset.

The COVID 19 crisis has had an interesting impact on the trend towards Wellness related holidays. In the short term, as the chart above shows, there is less interest in visiting a spa, wellness retreat or indoor swimming than before, although this is a reaction to the understanding that activities undertaken outside have lower risk of Covid transmission than indoor activities. Wild swimming has seen exponential growth in 2020 and the awareness of the impact of spending time in nature on mental health has been extensively covered in the media. **COVID 19 is likely to build interest and awareness in improving the general health and wellbeing of the population in the longer term.** In May 2020, Euromonitor International Megatrends reported that healthy living is becoming more mainstream and that generally a more holistic approach is being taken to health.

Covid-19 has seen an increase in participation in spending time outdoors, engaging with nature and it is a government priority to further increase "people engagement with nature" through the 25 year environment strategy and the work of Natural England.

Communicating the health and wellness benefits of travel and time spent enjoying rural and coastal areas should continue to be a priority.

<sup>33</sup> BDRC BVA Holiday Trends 2019  
<sup>34</sup> BDRC Research



Culture has always been an important part of the tourism offer in Britain.

In preparation for its new strategy, the Arts Council commissioned research into the context in which arts and cultural organisations will be operating in the future. It recognises that organisations need to be able to capitalise on opportunities to engage with new markets, audiences and channels to discover new possibilities. According to the Arts Council research, audiences for arts and culture are still polarised along socio-economic, demographic and geographical lines and there has been little or no progress in closing the gap in participation. Digital technology does not appear to have made any difference nor does the large-scale funding the arts have received.

**Looking ahead our ageing population with disposable income, more leisure time and interest could be an opportunity for the arts. Similarly, current millennials will make up an increasing part of the market and are likely to expect novelty, choice and personalisation as they do from other areas of their digital lives. There is still a strong appetite for live engagement and technology although technology should provide a complementary product, not a substitute.**

The research also recognises that although the market for UK Arts and Culture is likely to become more global it will also face more competition from overseas and from other activities. Public funding is likely to be stretched and so arts organisations will need to look for philanthropic and private sponsorship going forward. The research concludes by suggesting that Arts and Cultural organisations will need to be more experimental, leverage data to improve decision making and work in partnership and share services. To reach wider audiences the work will need to broaden diversity and deepen relationships with existing audiences to sustain funding.

In Torbay culture is recognised as being part of the tourism offer and is led through Torbay Culture. Its main purpose is to enable the cultural and creative development of Torbay through collaboration, “making our home – the English Riviera UNESCO Global Geopark - a better place in which to live, work, learn and visit”. It has three strategic aims

- Increase engagement and participation in cultural opportunities in Torbay
- Maximise the distinctive natural and cultural built assets of Torbay
- To ensure joined up cultural development is a key contributor to economic, social and environmental development in Torbay.

## TOP OVERSEAS HOLIDAY MOTIVATIONS

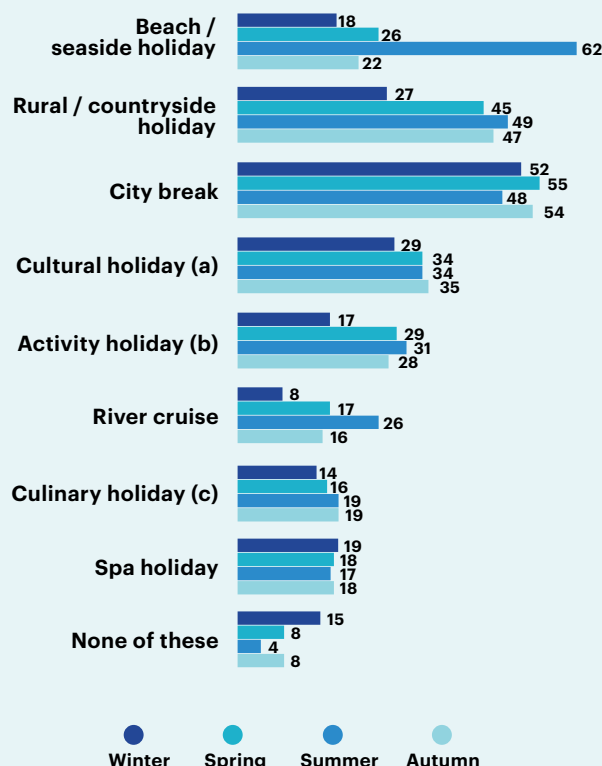
1. WEATHER
2. PRICE OF THE HOLIDAY
3. SAFETY
4. SCENERY & LANDSCAPE
5. FRIENDLY PEOPLE
6. HISTORY & CULTURE
7. BEACHES
8. FOOD & DRINK
9. AUTHENTIC LOCAL EXPERIENCES
10. GOOD DEAL

Culture as a tool to regeneration and growth is not a new trend, and the research shows that there is still some way to go in terms of achieving national objectives of cultural access and enjoyment for all. There are local examples of good practice and sharing this will help, as well integrating cultural teams and resources within wider visitor economy development and management plans.

The chart below from Mintel<sup>35</sup> shows how cultural tourism along with other themed tourism activities are much less seasonal than traditional beach holidays.

Although Cultural Tourism is likely to play an important part in the recovery of the visitor economy, research suggest that customers are much less likely to be confident about visiting museums and indoor attractions, attending cinemas, theatres and concerts than other leisure activities and it will take time to rebuild this interest. There is though a pent-up demand to return to these activities once it is deemed safe to do so and once the ‘experience’ has returned to a more normal level.

**"WHICH OF THE FOLLOWING HOLIDAY TYPES WOULD YOU CONSIDER TAKING FOR EACH SEASON IN THE UK?"**  
Please select all that apply per season



<sup>35</sup> Mintel UK Tourism October 2019

## Sport

For some parts of Devon and Somerset, Sport tourism is a key component of the tourism offer, this includes hosting professional sport tournaments or challenges as well as more regular sports events such as Rugby or Football.

The current trends within sport events is the increasing focus on the live experience and creating a sense of theatre and entertainment around the sport, such that this becomes almost equal to the sport event itself. This could include music performances and after game gatherings which turn a sports game into a mini festival.

There is also a rising recognition globally of the importance of women's sport and the UK is seen as one of the leading countries in this field, providing an opportunity to showcase women's sport and host major tournaments. Alongside this is the growing interest in para-sports, again in which the UK is one of the leading countries globally and works hand in hand with the growing trend in accessible tourism.

Investment in permanent sports facilities and the costs to host major sporting events should be considered carefully alongside other investment methods. Recent research shows that whilst this does have benefits, they are usually highly localized, and not generally beneficial to the wider destination area. **That said, if a destination is trying to improve its own facilities for the benefit of the local population or trying to build a reputation within one or a handful of sports, regular hosting and promotional activity would make the benefits more significant.**

For the Heart of South West area this is a niche market but important to a few destinations such as Exeter and Plymouth in particular.

## Technology

A common theme between all reports on trends in the visitor economy is the increasing importance of digital technology. This is already having and will continue to have a huge impact on how people book their holidays but also impacts what travellers expect in advance of and at their destination. The Tourism Sector Deal recognises the importance of this trend and has an ambition to increase the capacity of the sector to innovate by accelerating the development of digital technology and reducing barriers in the sector.

### Planning and Booking a Holiday

As the table below shows there is a continuing trend that digital sources dominate holiday planning options among consumers<sup>36</sup>.

Top Influences on Holiday Planning

	2018%	2019%
Search Engine	30	33
Review Sites	28	31
Recommendation from friend/relative	27	27
Travel agent website	17	18
Price comparison site	17	18
Online travel agent	16	18
Brochure from travel agent	16	18
Resort or tourist website	17	15
Brochure to home	17	15
Travel agent staff	14	15
Brochure download	15	15

<sup>36</sup> BDRC BVA Holiday Trends 2019

Additionally, the Future Travel Journey predicts that travellers will expect to be able to book more holiday experiences instantly from wish lists as improvements in app and interface developments are made, although there will still be a proportion of people who will prefer to book activities and experiences once they arrive in the destination.

Calling it the 'Filter Bubble' Future Travel Journey offer a word of caution - despite the endless resource offered by the internet, future travellers will live in a filter bubble created by personalised algorithms and homogenous social networks. **Tourism products will have to work hard to stay on the traveller's radar and break through into new audiences by making sure they are part of consumer conversations and products need to be clear on who their target group or niche markets are.**

Consumers are heavily swayed by social media when planning their trips with the most recent trend being the growing importance of Influencers. This is an opportunity for highly targeted communication with travellers as they create discrete communities based on common interests. However, the growth in social media is slightly overshadowed by the data privacy challenge and the importance of digital wellbeing. There is also a concern that sharing experiences on social media has led to overcrowding and destruction of Instagram friendly locations<sup>37</sup>.

### At the Destination

Once on holiday, getting away from it all and escapism is a key objective for 90% of travellers, and 70% say digital detox is a key holiday objective, but so far only 7% of businesses offer digital detox retreats. Interest in digital detox varies by age as shown in the chart below and will vary with the type of trip and holiday group<sup>38</sup>.

Interest in digital detox on holiday

Age group:	18-24	25-34	35-44	45-54	55-64	65+
Escapism and distraction	83	91	88	85	79	68
Digital Detox	64	70	65	47	38	27

Living in the Real World – despite the boundaries increasingly blurring between the online and offline worlds, especially for younger generations, there is still a strong preference by US consumers to experience things in the Real World. 74% said it was a priority for them in 2019<sup>39</sup>.

Despite the caution noted above, some travellers will still expect to receive relevant messaging to their digital devices once they are in a destination. They will be looking for products which they can photograph to add to their social capital<sup>40</sup>.

The Asia Pacific region is at the forefront of developing Super Apps which have transformed from their original roots of social messaging and mobility to meet needs of consumer lifestyles where elements such as travel are an important component. It may take some time for these kinds of apps to appear in the UK, but they may well be part of tourism offer looking ahead<sup>41</sup>.

New technologies such as Augmented Reality, Virtual Reality and Mixed Reality will increasingly become part of the tourist offer. However, it needs to be applied in the right context and not take away from the experience of actually being in destination or taking the place of seeing the real thing, it should be an enhancement to the experience not instead of it.

According to Barclays Staycation research there are some technology developments that will make a real difference to visitors' likelihood to book such as free Wi-Fi (see table below).

	Services that would make customer more likely to book	Percentage of operators who provide service now
Free wi-fi/streaming	71	68
Ability to book room in advance	68	32
Notifications about local offers and discounts	44	20
Hotel remembers customer preferences	38	30
Smart phone check in	24	15

<sup>37</sup> Euromonitor International **Megatrends Shaping the Future of Travel 2019**

<sup>38</sup> Barclays **The Great British Staycation**

<sup>39</sup> Euromonitor International **Megatrends Shaping the Future of Travel 2019**

<sup>40</sup> **The Future Travel Journey**

<sup>41</sup> Euromonitor International **Megatrends Shaping the Future of Travel 2019**



### Within the Business

With the rise of digitalisation, the increasing availability of data innovative analytics means there is potential for businesses to operate more effectively. The increasing quality of data from user generated content or consumer data can be harnessed to make better business decisions and drive up productivity. However, there are barriers in the form of lack of data analysis skills and competences in the workforce, the limited scope for organisational change and infrastructure, sometimes limited broadband and regulation. Where businesses have managed to utilise and navigate this information to provide meaningful insight relevant to their business, stakeholders interviewed as part of this research noted that there were businesses who have significantly grown their business by understanding where, when and how to place their marketing spend to deliver the best return on investment.

There is no doubt that digital technology has a role to play in the visitor economy and delivering growth, **the challenge for many small businesses is to understand which interventions could work best for them and navigate the huge volumes of data to identify the insights that could really make a difference for their business. Support to simplify this landscape and using language that small businesses understand such as “how to increase bookings” will help build engagement and confidence to use technology more in everyday decisions and the wider product offer.**

The COVID 19 crisis has been a catalyst for the development of technology which helps to make travelling easier in this time of crisis. Advanced booking for attractions, restaurant apps, and contactless check in have all become more commonplace during 2020. Foresight Factory has noted a trend for Presence free living – the fact that physical presence is no longer required for so many activities. Euromonitor’s innovating travel report highlighted the rapid digitalisation and innovation in the industry and therefore **the challenge now is to ensure the inter-connectivity or “smart” use of these systems and data to drive better visitor experiences and more targeted marketing, whilst still ensuring that travel is a ‘personal’ experience for the consumer.**



# Business Events

Business visits are a key component of the Tourism Sector Deal and represented 22% of inbound visits to the UK in 2018 generating £4.5bn in spend, it's a market that is growing with the first half of 2019 showing business visits up by 1% and spend up 9%.

UK business visitors have a shorter length of stay than leisure visitors, but the average spend per head is much higher as shown below<sup>42</sup>.

	Business Events	Leisure
Average spend per visit	£770	£594
Average nights per visitor	4.6 nights	7.1 nights
Average spend per night	£167	£83

Business visits do not show the seasonality shown generally in tourism flows which helps to maintain the tourism offer year-round and therefore a great opportunity for some destinations to grow the season<sup>43</sup>.

	Jan – Mar	Apr – Jun	Jul – Sep	Oct – Dec
Visits	25	25	24	25
Nights	22	25	27	24
Spend	27	24	24	25

**The Tourism Industrial strategy recognises that development of business events offers a great opportunity to grow business in the shoulder months.**

Alongside the Sector Deal it has published the International Business Events Action Plan 2019-2025 which shows how the UK government will provide support in relation to six key drivers that event decision makers consider when determining where to hold an event. Some of these are primarily relevant for attracting business events from overseas such as government advocacy, financial support and improving the Welcome at international borders. Other support measures announced will help to grow business events across the country including improved destination marketing and promotion, a scheme to improve broadband connection at all conference centres and the establishment of a single point of contact to coordinate the government's support<sup>44</sup>.

Business Events potentially offers a great opportunity for the visitor economy across Devon and Somerset but understanding which parts of the business events industry to target will be key to success. Torbay is expecting growth through the English Riviera Conference Centre which has been recently taken over and the new owners are planning refurbishment and extensions. Additionally, two new 4\* hotels will provide much needed good quality accommodation vital to attract international conferences in particular.

The English Riviera Centre has also highlighted the potential of **incentive travel as a growth opportunity. Incentive Travel company CR Worldwide has noted a shift towards more personalised incentive travel options with smaller groups and the emphasis on the 'experience' rather than just the destination, accommodation etc<sup>45</sup>.** This could link well with the adventure, activity and experience packages that have development potential locally.

Aligning target markets with the areas' sectoral strengths of Energy, Engineering and Digital as identified in the Local Industrial Strategy will also boost engagement.

Of all elements of the tourism industry Business Events has probably been affected more by Covid-19 than most. In its Hotel Forecast, Price Waterhouse Coopers predicts that **hotel occupancy and Rev Par are unlikely to be back to 2019 levels until 2023** or beyond and that those areas focussing on business events will be hardest hit. New working patterns have already reduced the need for face to face meetings and there is likely to be a long-term shift in demand. Some forecasters are predicting that it's unlikely that business trips will ever fully recover in the same format.

However, some destinations that rely on business tourism are pivoting their offer to encourage residents to utilise assets typically used by business visitors as a better solution to working from home, offering high-speed connections, desks with a view and on-site hospitality. Another rising trend is the "Work from anywhere" concept, encouraging visitors to extend their visit and mix business with leisure.

<sup>42</sup> VisitBritain **Understanding Business Visits** 2018

<sup>43</sup> VisitBritain **Understanding Business Visits** 2018

<sup>44</sup> **Industrial Strategy: Tourism Sector Deal**

<sup>45</sup> **CR Worldwide**



## Summary on strengths and priorities for Heart of SW LEP within trends

Across the Heart of SW area there will be a range of businesses for which any of the trends discussed in this report could be applicable, however to identify which trends are the most significant for the region as a whole, it is important to understand the product-market fit – the match between the product available (or that could be developed) with the market demand and trends.

For all businesses, staying abreast of changing demographics and more general holiday trends will be essential to business survival; recognising the needs of an ageing yet young at heart generation and also preparing for the next generation of younger travellers. This is in addition to understanding the temporary and permanent shifts in behaviour as a result of the Covid-19 pandemic.

Accessible tourism represents a significant opportunity and potential strength for Devon and Somerset. Sustainability is also increasingly important to consumers and stakeholders alike, recognising this and supporting businesses to increase their green credentials should become part of business as usual.

For North Devon, Exmoor and rural Somerset in particular, the activity and adventure market is a core focus and should continue to be so, recognising the incredible wealth of natural assets and facilities. Supporting the industry to better connect and cross-reference products could significantly grow awareness of the product and visitor spend.

A focus on culture and well-being can provide significant benefits to residents, investors and tourists but effort should be based around the wider offer, increasing engagement and awareness rather than simply investment in infrastructure. Similarly, considering how business events can be reimagined to provide a more year-round visitor economy offer, especially if aligned to priority economic sectors for Heart of SW LEP.

# **Building Resilience and Improving Productivity**

Understanding the levers of productivity and the opportunities and challenges for the Heart of SW LEP area this section of the report will consider how to build resilience in the sector, what activity is needed to drive productivity, including examples of best practice already happening in the industry. Finally, it will consider the benefits of investment in improving productivity.

# The UK Tourism Productivity Gap

Since 2008 the overall productivity of the UK economy has been lower than all other G7 countries and the gap has been growing, reaching 16.3% below that of the rest of the G7 countries in 2016.

Productivity is usually referred to as labour productivity which is simply measured as the total output of a business divided by the number of employees or total worked hours. The most common measure for output is Gross Value Added (GVA) which is the difference between revenue and the immediate inputs used to produce the value.

Despite tourism currently being one of the strongest sources of employment in the UK economy, its productivity is strikingly low compared to other countries and other sectors of the UK. UK Tourism is one of the four sectors (construction, retail, administrative services and hospitality and tourism) with the lowest levels of productivity in the UK.

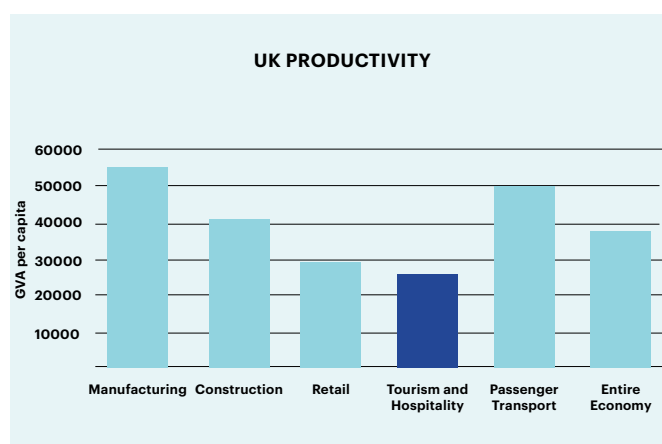
However, tourism has one of the fastest growth rates in employment and in GVA since 2008 – between 2009 and 2017 contribution to employment grew by 7.4% but the GVA per capita remained very low.

Productivity has always been a challenge in tourism and hospitality. On the supply side the key challenges are the traditionally low wages and low skills and it has one of the weakest innovation rates of UK sectors. In terms of demand, it is often very difficult to predict demand variations by season, within the week and within the day which poses enormous challenges for efficient staff rostering. Being at the forefront of the digital revolution, for example with the growth of online platforms and social media has increased competition and put pressure on prices leading to reduced visitor income. The already difficult situation is exacerbated by the uncertainty of Brexit.

However, the current low base means that tourism and hospitality could provide a substantial source of increased productivity to the whole economy if effective solutions can be found. In other countries productivity in the hospitality sector is significantly higher than the UK (10% higher in Germany and 45% higher in France) so there must be potential for improvement.

## The key challenges that need to be considered to improve productivity in the sector include:

- **Measurement Issues** - the standard methods of measuring productivity do not work well for the tourism and hospitality industries as they don't take into consideration visitor satisfaction which is a key part of the service. Measurement is further impacted by the growth of the gig economy (e.g. Airbnb).
- **Variation in demand** – there is huge variation on demand for tourism products depending on season, day of week, time of day and a number of other factors, as well as differences between visitor markets neither of which are often easy to predict. Major economic or weather events can have huge consequences on the demand for tourism products.



- **Capital and Infrastructure** – historical lack of investment in capital and infrastructure and poor connectivity due to limited transport have an impact on growth. Limited broadband particularly in rural and coastal areas restricts the potential to capitalise on new data.
- **People and skills** – the tourism workforce tends to be transient, temporary, low skilled, young and migrant with EU nationals important for many businesses across the UK. High labour turnover, low staff retention and recruitment issues are a dampener on productivity due to the loss of skills and experienced workers and act as a disincentive to training.
- **Digitalisation and innovation** – The rise of digital platforms, the sharing economy, big data and automation all intensify focus on the productivity challenge. Data driven innovation can be relatively easily implemented due to the increasing quantity of data from user generated content or consumer data. However, there are barriers in the form of lack of data analysis skills and competences in the workforce, the limited scope for organisational change and infrastructure, as well as sometimes limited broadband and regulation.

## With all this in mind there are a series of drivers of productivity that could be focused on within the visitor economy and support businesses to build resilience, these include:

- Addressing seasonality – through product development and / or focussing on new markets
- Digital developments and use of data to make better informed decisions
- Skills, training & development
- Partnership working / networks / sharing best practice
- Infrastructure
- Automation
- Focus on value per visitor as well as volume
- Labour flexibility



# Improving productivity in the visitor economy in Devon and Somerset

The above drivers of productivity will now be considered in turn and in relation to the particular structure, challenges and product market fit of Devon and Somerset.

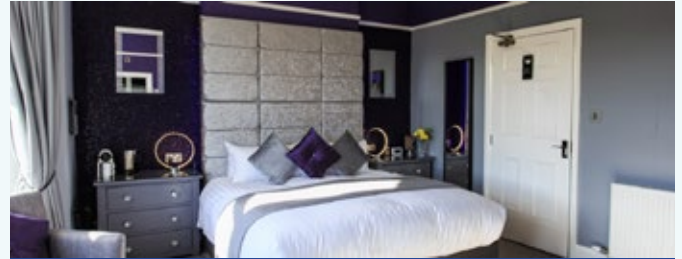
## Addressing seasonality

A key focus of businesses across Devon and Somerset with 73% of businesses agreeing the most significant action to grow their business would be attracting more off-peak visitors, **addressing seasonality must be a key focus of driving productivity.**

With a fantastic natural environment and wealth of natural assets, raising the profile of the natural environment and considering product developments that enhance the setting and enjoyment for visitors is a key opportunity. Learning from the English National Park Experience Collection, developing a range of authentic local (nature-based) experiences and linking to sustainable development goals is one option to explore.

Reflecting on the market trends and product market fit an increasing focus on accessible tourism, adventure and activity tourism, culture and wellness are also key opportunities. Niche markets like dog friendly and walking as well as business events should also be a priority.

Sharing best practice and holding insights / inspirational sessions can help small businesses identify which markets would work best for their setting and make the task more manageable and realistic. These are most likely best coordinated by the Destination Management Organisations who already have the relationship with the businesses, but support would be required to develop and implement these sessions which should be centrally coordinated and funded.



### Case Study: Using Product Development to address seasonality

#### THE 25 BOUTIQUE B&B, TORBAY

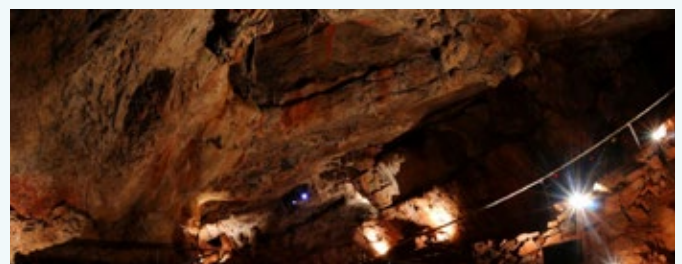
The 25 completely refurbished in 2015 and undertakes further renovation each winter, the 25 Boutique B&B has 6 individually designed bedrooms. By focussing on quality, attention to detail and an excellent customer experience it has achieved excellent occupancy rates without having to compromise on price.



### Case Study: Attracting new markets to address seasonality

#### HIGHER WISCOMBE COTTAGES, DEVON

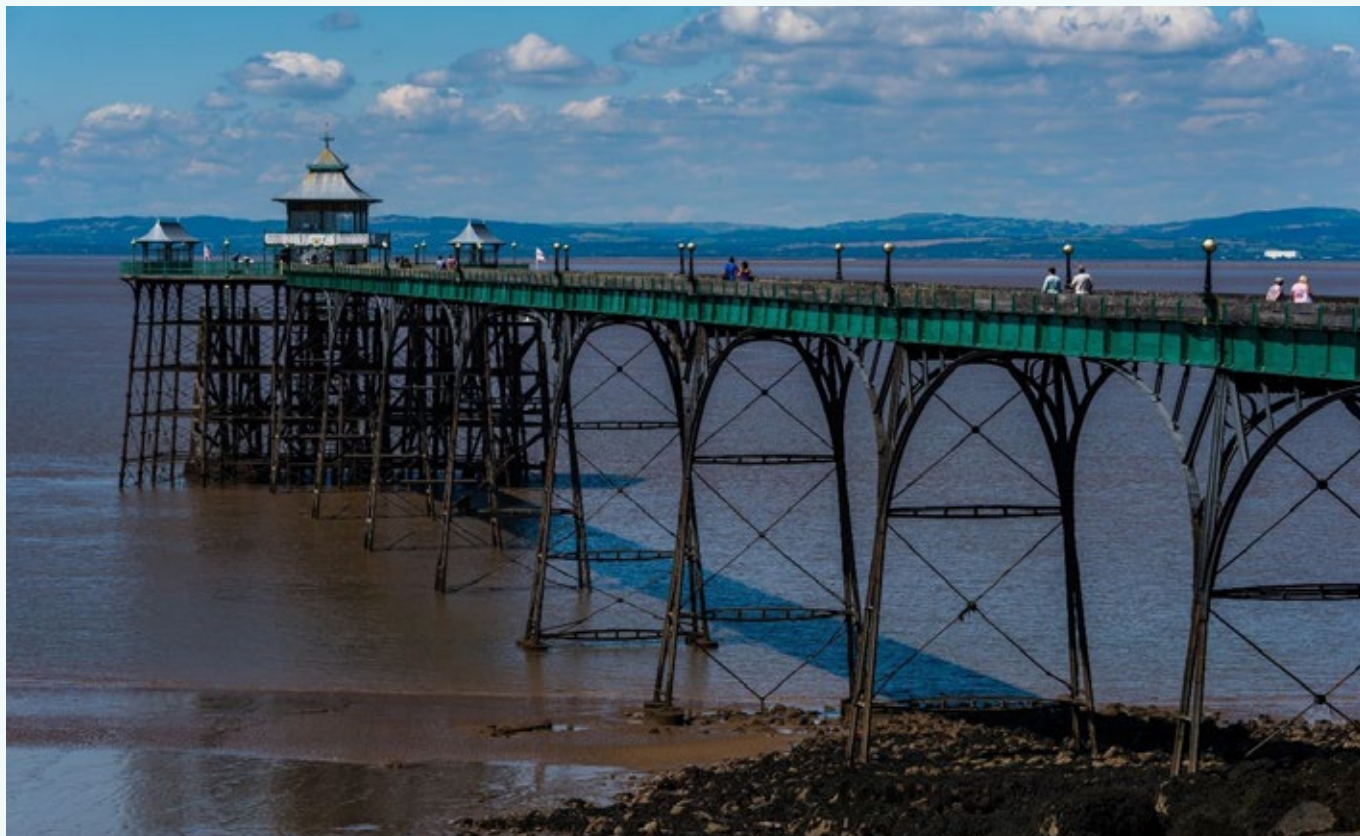
Following the government's decision to stop family holidays in term time Higher Wiscombe saw a dramatic reduction in shoulder season bookings. To address this they adopted a new policy of encouraging dog owners to visit out of season and most shoulder season weekends are now full. Higher Wiscombe is now recognised as leading Dog Friendly property winning the VisitEngland best dog friendly accommodation award.



### Case Study: Offering new experiences to address seasonality

#### KENT'S CAVERN, ENGLISH RIVIERA

Having recognised that most of their guests were first time visitors, Kent's Cavern needed new reasons for people to visit again. They have achieved this by developing a series of events and thematic experiences to encourage visitors to return, including showing Shakespeare Plays and Pop Up cinema underground, running a Halloween night, adding a Christmas offer and promoting 'Airbnb experiences.'



## Using data to make better informed decisions

Supporting businesses to access better data and simple guidance on how to interpret and use data available to them, could make a significant difference to productivity.

One of the key issues in the industry is that data is not usually provided when it is really needed. If the season is not going well it is useful to know if this is a general trend or a problem with the individual business – waiting till the end of the year to see trends is not very helpful. One initiative being trialled by Premier Cottages with Super Control enables businesses to see how bookings are going on a regular basis and can make comparisons year on year. Theoretically this could be provided as live data as could similar information from other booking systems. Some investment would be required but there may be potential to link bookings so that all participating businesses can see live data for their own business and comparison with others in the same region, type of business etc. We recommend further research into this development with financial support made available from the LEP.

In addition, supporting the Destination Management Organisations to undertake more regular research on who the current and potential visitors are would provide better insight to guide product development and support businesses. During the delivery of Discover England Fund projects in the region, detailed research was undertaken on particular visitor segments which has proved invaluable in targeting new markets and supporting businesses to develop their product to meet the needs of these markets. Replicating this activity for other target markets could significantly improve the success rate of initiatives to grow the visitor economy.



### Case Study: Digital Development

#### PREMIER COTTAGES

For tourism businesses, availability of relevant up to date statistics on business performance in comparison to competitors is a valuable business tool to understand your own performance and where to focus efforts. Premier Cottages in Devon are trialling a system which enables businesses to see compare bookings on a regular basis and year on year.



## Skills, training & development

A key focus for businesses needs to be on the provision of digital skills training and support. This should be tailored to different types of businesses and for small and micro organisations framed in the right language to get high levels of engagement and action, for example “How to get more bookings” rather than “digital skills training”.

For larger businesses on going provision and support to provide customer service training was deemed important.

Individualised business support delivered 1-2-1 is particularly effective but should be targeted towards businesses which demonstrate a desire to grow.

Coordination of skills training should be undertaken by the DMOs with support of the LEP and connected to the education provision to ensure a joined up, industry focused approach. Many of the DMOs would be well placed to identify businesses who are seeking to grow and could benefit from 1-2-1 support, for example.

## Partnership working, networking and sharing best practice

If Devon and Somerset wish to pursue support for a Tourism Zone across Heart of SW area of the Great South West, a strategic board should be brought together representing all key stakeholders, DMOs, private sector and each LEP to agree future priorities and the strategic direction for the area.

Ahead of this, it would be recommended that all stakeholders and interested parties involved in the production of this report are given an overview of key findings and brought together to discuss next steps and strategic priorities that can be achieved working together. Whilst interviewing stakeholders there were many that would like to be more involved in the wider destination management but felt excluded at present because they could not afford to financially support the DMOs.

At a business level, greater and more frequent meaningful opportunities to network and be inspired could foster product development and sharing best practice. At present many of the DMOs are under resourced to coordinate or implement this on a regular basis and therefore some admin support dedicated to this function along with development of a region wide communications strategy would be recommended.

During Covid-19 the importance of support networks, sharing ideas and best practice was critical to the safe reopening of the sector, continuing to foster and further build these networks will significantly build resilience in the Visitor Economy.



### Case Study: Skills and Training

#### BE THE BUSINESS

Be the Business offers a Tourism and Hospitality programme of Master Classes built around the five levers of productivity with peer to peer action learning. Piloted in Cornwall and Buckinghamshire, Heart of the South West LEP have announced a programme of 1-2-1 business support, peer to peer action learning groups and online masterclasses across Devon, Somerset, Plymouth and Torbay. During 2020 a programme of free online bitesize modules was offered virtually and hugely successful, providing dedicated support for small businesses in easy to access and action format.



### Case Study: Partnership Working

#### WELLS HERITAGE PARTNERSHIP

Wells Heritage Partnership has developed a strong partnership with Visit Wells. They are now working closely together as a network of attractions to promote the area as one and are running the local Tourist Information Centre.

## Infrastructure

Stakeholders and businesses identified a number of capital infrastructure projects that they felt would greatly improve productivity, learning from the investment in developments such as the Torbay link road and the improvement that has made to the economy. These suggestions were:

- A303 improvements – although note that this has since been highlighted as a priority in the UK Government budget.
- Rail network – physical development to the line(s) beyond Exeter but also improving perception of the journey time so the region doesn't appear so remote
- Connecting the final (few) miles – supporting new public transport route development and other innovative schemes to connect passengers travelling by train or arriving into the region by air, to rural areas and key products such as the National Parks.
- Electric Charging Points – investment in the number and quality of electric charging points as well as working across LEP areas to develop the infrastructure on the key journey routes to the region to reduce range anxiety. Addressing challenges in rural areas where rapid charging is not always possible.
- 5G and superfast broadband – to support businesses as much as customers and visitors

## Automation

Improving automation in the right parts of the visitor economy is key to driving up productivity, in larger hotels and businesses this could include self-check-in, or electronic waivers for activity providers, or digital and immersive experiences in attractions, but this should not be at the expense of the other experience. 72% of businesses were keen to embrace new technology but didn't want to lose personal contact, for many smaller businesses self-check in for example is a step to far. Each individual business will need to make decisions that are right for them. The DMO and LEP's roles should be to support businesses to keep abreast of developments within the industry and showing them examples of how it has worked in other areas, encouraging businesses to be innovative and trial developments before heavy investment.

## Focus on value per visitor as well as volume

Improvements in productivity and growth in the sector can also be achieved by building more meaningful and profitable connections with all existing and potential visitors. Encouraging repeat visits, especially off-peak, building networks of local businesses and suppliers to enhance the multiplier effect of every £1 spent by a visitor can make a significant difference. A key focus should also be on converting and encouraging day visitors to stay overnight.



### Case study: Tackling the inadequate Rail infrastructure

#### ENGLISH RIVIERA CONFERENCE CENTRE

Recognising that expensive train fares from London to Torquay where a barrier for conference delegates travelling to Torquay, the English Riviera Conference Centre negotiated special rates for first class travel with Great Western Railways if travellers were attending conferences at the centre. These have now been extended to all conference venues in Great Western Railway area.

## Labour flexibility

One of the biggest challenges for the visitor economy in terms of productivity is having the right level of staff to match demand. Understanding visitor patterns based on a range of scenarios and having the staffing structure in place to respond at very short notice to different scenarios can be a real challenge. Supporting businesses to understand how they could better manage staffing levels and understanding different models of contracting staff and how to build better engagement with staff that they are willing to be more flexible would be useful. Though it should be noted, that labour flexibility will always be a challenge for the industry and should be subject to further review once the UK leaves the EU.



### Case Study: converting day visitors to overnight guests

#### EXETER AND PLYMOUTH

Both Exeter and Plymouth have worked with the local universities to capitalise on the influx of extra visitors to the town for university open days, the start of term, end of term, graduations and other university events. Encouraging relatives and friends of students to stay overnight or extend their visit to also explore the area.



# Why productivity matters

In the Industrial Strategy - Tourism Sector Deal the industry says it will grow productivity by 1% nationally over the next 10 years. The Heart of the South West LEP area is the second most valuable region in terms of domestic visitor spend (after London) and so a growth in productivity here could contribute significantly to tourism productivity on a national basis.

Related to this report, TSWRC were commissioned to forecast growth over the next 10 years using standard modelling techniques to understand how productivity might change over time. The measure of productivity used was the amount of GVA per FTE job. Two different scenarios were calculated for both HotSW LEP area and the whole of the South West, scenario one being as we might have expected tourism to look at the start of this year and the second trying to estimate the impact of COVID-19. The figures can be revised at any point to reflect the real position going forward.

Without COVID-19 the results show that assuming a growth rate of 1% per annum (+2% inflation) productivity should increase by 2.2% year on year to 2030 in the Heart of the SW LEP area as shown below. A full summary of the results and the assumptions made is included in appendix F along with four separate scenario spreadsheets.

The modelling shows that with even a very modest increase in tourism, the productivity gain for the region is notable, and a growth rate of 1% (plus inflation) should be achievable with the right support.

## SCENARIO ONE - HEART OF SOUTH WEST LEP AREA - MID-RANGE ESTIMATE

Measures Millions	2018 (actual)	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2018- 2030 GROWTH
Overseas trips (mn)	0.642	0.657	0.657	0.663	0.668	0.674	0.681	0.687	0.693	0.699	0.705	0.712	0.718	12%
Overseas nights (mn)	4.673	4.809	4.809	4.811	4.813	4.815	4.817	4.819	4.821	4.823	4.825	4.826	4.828	3%
Overseas spend (£mn)	£267.53	£263.16	£263.16	£271.06	£279.19	£287.57	£296.19	£305.08	£314.23	£323.66	£333.37	£343.37	£353.67	32%
UK trips (mn)	7.137	7.191	7.191	7.207	7.223	7.239	7.255	7.271	7.287	7.303	7.319	7.335	7.352	3%
UK nights (mn)	27.186	26.682	26.682	26.671	26.659	26.648	26.636	26.625	26.613	26.602	26.590	26.579	26.567	-2%
UK spend (£mn)	£1,532.39	£1,536.41	£1,536.41	£1,582.51	£1,629.98	£1,678.88	£1,729.25	£1,781.12	£1,834.56	£1,889.59	£1,946.28	£2,004.67	£2,064.81	35%
Day visits (mn)	43.626	44.109	44.109	44.175	44.240	44.306	44.372	44.438	44.504	44.571	44.637	44.703	44.770	3%
Day visit spend (£mn)	£1,552.89	£1,540.98	£1,540.98	£1,587.21	£1,634.83	£1,683.87	£1,734.39	£1,786.42	£1,840.01	£1,895.21	£1,952.07	£2,010.63	£2,070.95	33%
<b>Total visitor spend (£mn)</b>	<b>£3,352.81</b>	<b>£3,340.56</b>	<b>£3,340.56</b>	<b>£3,440.77</b>	<b>£3,544.00</b>	<b>£3,650.32</b>	<b>£3,759.83</b>	<b>£3,872.62</b>	<b>£3,988.80</b>	<b>£4,108.46</b>	<b>£4,231.72</b>	<b>£4,358.67</b>	<b>£4,489.43</b>	<b>34%</b>
<b>Total business turnover (£mn)</b>	<b>£4,850.32</b>	<b>£4,849.49</b>	<b>£4,849.49</b>	<b>£4,994.98</b>	<b>£5,144.83</b>	<b>£5,299.17</b>	<b>£5,458.14</b>	<b>£5,621.89</b>	<b>£5,790.55</b>	<b>£5,964.26</b>	<b>£6,143.19</b>	<b>£6,327.49</b>	<b>£6,517.31</b>	<b>34%</b>
<b>Total FTE employment supported</b>	<b>64,409</b>	<b>62,776</b>	<b>61,408</b>	<b>61,873</b>	<b>62,341</b>	<b>62,812</b>	<b>63,287</b>	<b>63,766</b>	<b>64,248</b>	<b>64,734</b>	<b>65,224</b>	<b>65,717</b>	<b>66,214</b>	<b>3%</b>
<b>GVA (£mn)</b>	<b>£2,684.72</b>	<b>£2,684.85</b>	<b>£2,684.85</b>	<b>£2,765.39</b>	<b>£2,848.36</b>	<b>£2,933.81</b>	<b>£3,021.82</b>	<b>£3,112.48</b>	<b>£3,205.85</b>	<b>£3,302.02</b>	<b>£3,401.09</b>	<b>£3,503.12</b>	<b>£3,608.21</b>	<b>34%</b>
<b>GVA per FTE supported job</b>	<b>£41,682</b>	<b>£42,769</b>	<b>£43,721</b>	<b>£44,695</b>	<b>£45,690</b>	<b>£46,708</b>	<b>£47,748</b>	<b>£48,811</b>	<b>£49,898</b>	<b>£51,009</b>	<b>£52,145</b>	<b>£53,306</b>	<b>£54,493</b>	<b>31%</b>
<b>Year on year change</b>	<b>3.3%</b>	<b>2.6%</b>	<b>2.2%</b>	<b>2.2%</b>	<b>2.2%</b>	<b>2.2%</b>	<b>2.2%</b>	<b>2.2%</b>	<b>2.2%</b>	<b>2.2%</b>	<b>2.2%</b>	<b>2.2%</b>	<b>2.2%</b>	<b>2.6%</b>

# How the LEP can support the visitor economy

The Visitor Economy is a significant sector in the Heart of South West LEP area - visitors to Devon and Somerset spent £3.35bn in 2018 supporting over 7,300 businesses and 32,000 jobs. The sector consists of a high number of micro businesses (67.5%) and is highly seasonal – although 74% of businesses are open year round, a quarter of businesses generate more than half their annual turnover in July and August with a further 48% of businesses generating over 25% of their annual turnover in July and August. Positively though 60% of businesses are trying to grow and a 2.2% increase in productivity could generate £ 4.49bn by 2030.

The Visitor Economy can help the LEP achieve its ambitions of delivering clean and inclusive growth based on the natural capital of the region. Due to the scale of the visitor economy a small change in productivity could have a significant impact on the region's prosperity.

The national Tourism Sector Deal sets out UK Government's commitment to the industry, recognising it as one of 10 key sectors. One aspect of the tourism sector deal is improving productivity through the creation of tourism zones. If the Heart of SW region want to be considered for a tourism zone, a zone will need to meet these criteria:

Cover an area that is understood by the consumer  
Have a coordinated strategy for growth across businesses, LEPs, DMOs and local authorities.  
Have a steering group which includes at representatives from businesses, DMOs, local authorities, key stakeholders and the LEP

Therefore, the industry would like Heart of SW LEP to support a bid for a tourism zone in the Great South West region by:

- Appointing a sector rep to the LEP Board to recognise the importance of the sector
- Adopting a tourism zone working group as an official sub-group of the LEP
- Provide funding for research and data improvements to support the evidence base and feasibility as part of the tourism zone bid preparation
- Support work across the Great South West area to develop a coordinated strategy for growth which includes a number of commitments from each LEP included in Great South West area
- Investment in tourism specific business support initiatives
- In recognition of the LEP's commitment the tourism industry would support the LEPs ambitions to:
- Improve productivity by at least 1%, focussing on higher value tourism and diversifying the product offer to grow visits in the shoulder and off-peak period.
- Encourage participation in Green Tourism Business Scheme (or other appropriate mechanism) to support LEP's ambitions for clean growth.
- Make the region the most accessible visitor economy in the UK, delivering inclusive growth and a better quality of life for residents
- Focus business events growth on key sectors for the LEP which supports the inward investment strategy

These steps by both parties would evidence that the industry are working together across boundaries, have a joined up commitment and a clear strategy for growth which all stakeholders support, such that when tourism zones are open for applications the government will be able to clearly see how investment from them can further boost existing priorities and activities.

# **Summary and Recommendations**

## Summary and Recommendations

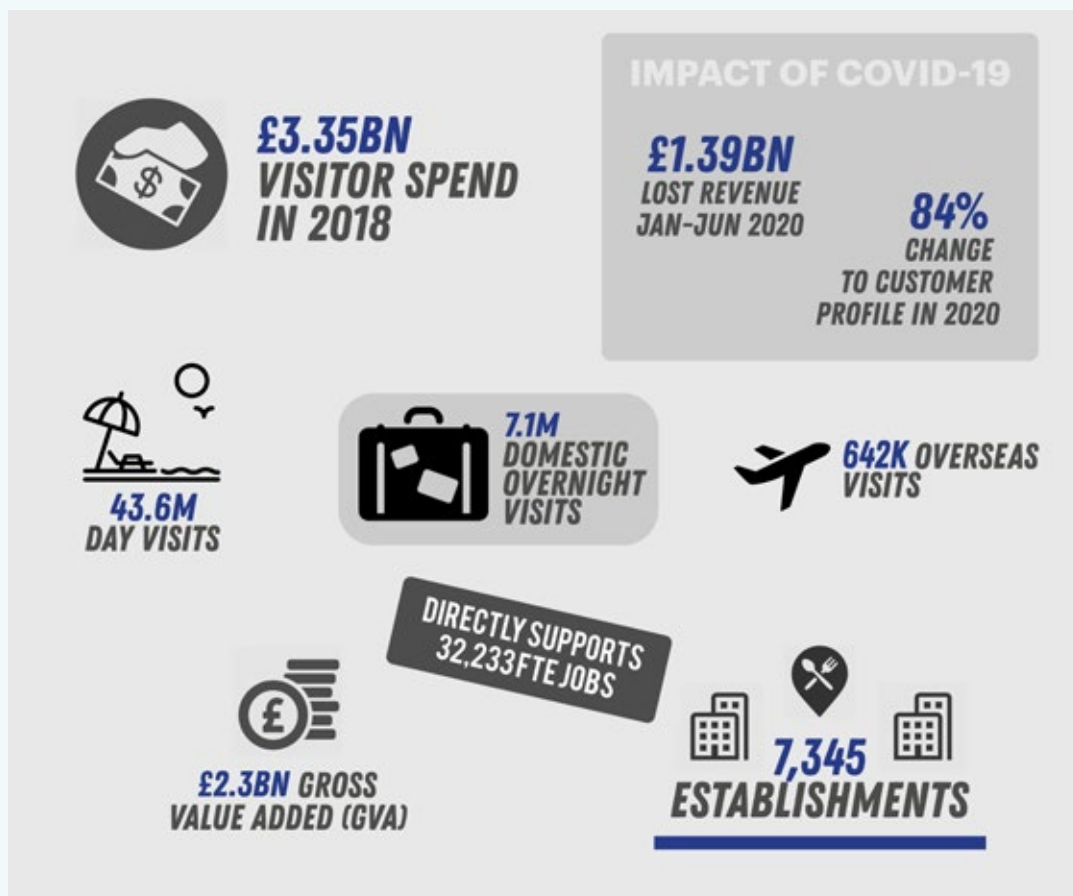
This study has identified the size, nature and value of the tourism economy across Devon and Somerset. A significant part of the local economy, tourist spend contributed £3.35bn in 2018 and supported over 7,300 establishments and more than 32,000 jobs.

The natural environment is a key part of the product offer recognised by visitors to the region alongside the quality of food, accommodation and welcome. Yet, the industry is highly seasonal with almost three quarters of businesses generating a significant part of their turnover in July and August alone. 73% of businesses see the key to achieving growth as attracting more visits off-peak, and with 74% of businesses already open year-round, this means focusing on occupancy levels by attracting new markets or developing new products.

The impact of Covid-19 has been severe for the visitor economy and a third of businesses unsure if they can survive until March 2021, supporting the sector to survive and recover must be a core focus. Building Community Wealth through encouraging businesses and communities to buy local and improve local purchasing power could also support a swift bounce-back of the economy.

Assessing the key industry trends and their alignment to the product base in the region, there are significant opportunities for the region to focus on building the area's reputation for accessible tourism. For North Devon and rural Somerset, the key opportunity is further developing their reputation in the growing adventure and activity tourism market. Culture and Wellness products are popular year-round with 66% of wellness breaks taking place between November and April, thus these markets offer opportunities to enhance the setting for local residents and visitors alike and build the year-round tourism offer. Other opportunities include niche markets such as dog-friendly, walking and re-building the regions reputation for business events in a reimagined format post Covid-19. In addition, building Plymouth and Exeter's awareness within the city break segment will be key to building engagement with the millennial market in the medium-long term.

Ensuring that the sector "builds back better" tackling seasonality and improving the sustainability of the visitor economy must be at the core of activity to build productivity and keep apace with global consumer trends.







## Key Strengths

- Wealth of natural assets – UNESCO World Heritage Site, UNESCO Biosphere, UNESCO Geopark, 2 National Parks, 8 Areas of Outstanding Natural Beauty, world class national walking trail, a National Marine Park and 484 miles of stunning coastline.
- Two vibrant regional cities with great shopping, cultural and leisure activities
- Good range and mix off accommodation however more 4\* plus grade accommodation needed in certain areas
- Good range and mix of attractions appealing to those looking for culture, family fun, heritage, nature and activity
- Excellent food and drink offer
- Relatively good access into the region through road, rail and air

## Key Challenges

- Seasonality is a key challenge to address. 25% of businesses surveyed generated more than 50% of their business turnover during July and August and a further 48% of businesses generated 25-49% of turnover in July and August. Yet 74% of tourism businesses are already open all year, so the focus must be on driving visitors and occupancy in these leaner periods, starting initially with the shoulder period and building into the wider off-peak period.
- Access to real time, consistent data is lacking across the industry meaning businesses are not able to track trends and make effective business decisions relating to marketing spend, growing new markets and responding to market changes in a timely manner. In-depth visitor research is also significantly lacking, as evidenced in the Discover England Fund projects, targeted growth can be achieved utilising in-depth visitor research.
- A large number of micro businesses makes coordination across the area difficult and the pace of change slow. Recruitment and retention of staff in a sector that is not seen as a viable career option for many, working alongside the national skills advisory board set up as a result of the sector deal, the focus locally should be on developing a local implementation plan.
- Whilst travelling to the region is relatively good, travel around part of the region, especially the rural areas can be improved. Stakeholders interviewed identified improving connectivity from public transport hubs to key 'attractions' and increasing access to electric vehicle charging points as priorities to deliver growth.
- Recovery from Covid-19 in an ever-changing landscape of regulation and restrictions, businesses need support to understand and interpret information and actionable insight to guide product and marketing changes.

With only 4% of businesses across the region employing EU workers, the impact of leaving the EU is not a major concern for many businesses. Almost half of all businesses expect to see a rise in Domestic visitors and 34% of businesses expect to see a drop in visitors from the EU versus 11% that expect EU visitors to increase. The most significant impact is anticipated among businesses employing more than 25 members of staff, where 31% expect challenges recruiting and retaining staff.

During the creation of this report, the COVID-19 global pandemic has unfolded and led to unprecedented restrictions on people and businesses, which has had a significant and profound impact on the tourism industry. It is not known at this time what the final 'cost' will be for the industry in terms of business and job losses. Neither is it clear if and how consumer behaviour will change in the long-term although early indications of shifts in consumer patterns are referenced in this report. New trends may continue to emerge, and travel behaviour will change and evolve. Continuing to review, analyse and share new consumer research on changes in behaviour and attitude towards travel is a top priority over the next 12 months at least. There is every confidence that the tourism industry will recover and be one of the first sectors to lead economic recovery, but **key to seizing opportunities will be understanding how the marketplace has changed and supporting businesses to adapt.**



Improving productivity within the tourism sector could have a significant impact on the wider economy, a 2% increase in productivity could equate to £4.49bn by 2030. **The key drivers to productivity for tourism in Devon and Somerset are:**

- **Addressing seasonality** – identifying new markets or developing the product to create a more year-round product offer. For Devon and Somerset this should include authentic local experiences as well as Accessible tourism. Within the region, focus on adventure and activity, culture, wellness or niche markets such as Dog-friendly and walking will be a priority, alongside building the areas reputation for business events.
- **Improving access to and interpretation of data to guide business decisions** – supporting businesses to understand their performance relative to other similar businesses or geographically local businesses and understand more about their customers (or potential customers) can lead to better informed decisions and greater ROI for investment. In-depth visitor research on target segments can also unlock growth. As part of the Discover England Fund projects in-depth research on very targeted markets enabled focused product development which is already yielding growth. A regular programme of research and related business support could drive significant growth in target markets for the region.
- **Improving skills** – with 30% of businesses identifying a need for digital skills training and a high priority on customer service training for larger organisations, the focus of any initiatives should be on bespoke skills initiatives that talk the language of small tourism businesses e.g. “How to get more bookings?” Supporting a programme of 1-2-1 or individualised business support for those organisations who are seeking to grow their business has also proven to drive up productivity.
- **Sharing best practice**, inspiring businesses on new market opportunities and supporting networking opportunities to develop new products and packages between like-minded businesses will foster innovation.
- Other productivity drivers include infrastructure developments such as more electric car charging points and focus on the final ‘few’ miles of a visitor’s journey by public transport, supporting larger businesses on areas of automation and building more value from each visitor through shared recommendations, working in partnership.

# Key recommendations

## 1. Improving productivity

A focussed and coordinated effort across the region involving all stakeholders to improve the productivity of the visitor economy with a focus on:

- Building the year-round offer – through a combination of product development and targeting new markets, region-wide this should include developing authentic local experiences and more accessible tourism product, at a local level focusing on key segments such as culture, activity or business events.
- Improving data and research – enabling businesses to access and interpret data to improve business decisions as well as supporting the DMOs to build in-depth knowledge of key growth markets and support businesses to adapt to meet those markets' needs.
- Improving skills – providing relevant and tailored business support to those organisations seeking to grow, inspiring businesses to new opportunities and supporting networking to develop new products.

## 2. Building the resilience of the sector

Supporting businesses through the COVID-19 crisis by representing the needs of the industry with government and key stakeholders and preparing those businesses that are able to survive to adapt to the changing needs of consumers as a result of the pandemic. We know from past crisis situations that consumer behaviour will be changed and will continue to evolve over the coming months and years. Providing businesses with insight and understanding on how consumer behaviour and travel habits will change can help them adapt and maximise all opportunities once travel restrictions are removed. Key to building resilience is:

- Building or supporting existing business networks – enabling businesses to network, share ideas and provide mutual support to each other will foster business communities that work together to recover and rebuild the sector – these may already exist in some areas as hospitality associations, attractions groups, restaurant associations etc. Mapping these networks, understanding gaps where new groups could be encouraged and providing support to the groups and clear lines of communication to the strategy group will be key.
- Insights and data – undertaking new research, collating and interpreting industry-wide research to make it relevant and actionable for business and then communicating key insights will support the sector to evolve and recover.

## 3. Develop Tourism Strategy Group

Establish a (or grow the existing) region wide tourism strategy group for either the Heart of South West LEP area or Great South West area depending on the will of all stakeholders. The existing group could be expanded to add in a mix of other key stakeholders representing businesses from each business sector, other organisations (such as National Parks, South West Coast Path Association) and representative from the LEP(s) board. The group should be adopted by the LEP(s) as an official sub-group with details of each representative published, such that businesses understand the role and make-up of the group. Ideally, the Chair of this group should be appointed as a representative on the LEP board. The strategy group should work together on key priorities for recovery, growth and development. The group should consider which initiatives can be delivered within existing resources as well as preparing proposals for future investment.

## 4. Build engagement with the LEP

The visitor economy can assist the LEP to achieve its clean and inclusive growth ambitions and generate up to £1bn additional GVA by 2030 (see table on p.58). To achieve this growth through the visitor economy would like the LEP to support the development of the strategy group and tourism zone proposals, invest in improvements in data to help build the evidence base for the tourism zone and support businesses to re-build after the COVID-19 pandemic.

## Delivering the recommendations

Given the current situation with the COVID-19 pandemic, fast-tracking resources and identifying funding to start to deliver some of the recommendations is an immediate priority. The strategy group has now been established and this group is coordinating a response, focused on rebuilding the industry and ensuring a joined-up approach to communications with VisitBritain, DCMS, the LEP and other national and regional stakeholders.

A short-term action plan has been put into place to support immediate COVID19 recovery and as the impact of COVID-19 on the industry changes this group will review the trends and recommendations of this report and develop an implementation plan for the longer term.

Developing a five year-plus strategy for the destination with long-term aims that are connected to the recovery plan is also a key ask for rebuilding the sector, as it will help ensure that Devon and Somerset rebuild better and are well positioned to access any new funding opportunities as they arise.







