Foreword by Malcolm Bell - Director - South West Tourism

There has been much talk about 2009 being a bumper year for tourism in the UK and indeed the South West of England and I am constantly reading and hearing such stories in the media, but this prediction is not borne out by widespread evidence or from the feedback received from our industry. There are sectors and individual businesses doing well, but not a sector wide boost.

These predictions appear to be based on the assumption that due to the Euro: £ exchange rate a lot more Britons will be holidaying in the UK to enjoy greater value for money in these economically turbulent times. However, this is purely an assumption and therefore, may or may not happen. In the increasingly unlikely event that this does happen, we need to understand to what degree and what likely proportion of these additional visitors will come to the South West.

Even if we do get reasonable numbers of “displaced visitors” they may just replace losses from loyal customers who cannot visit due to reduced incomes from savings, or lower earnings because they have lost their jobs, or those who are practicing caution in these uncertain times.

This report contains South West Tourism’s evaluation of the current market conditions, combined with an analysis of the factors that will affect tourism over the coming months. The aim being to inform, stimulate thinking and prompt actions for the various possible scenarios by businesses, tourism support bodies and others.

South West Tourism (SWT)

South West Tourism is the independent strategic regional body for tourism, mainly funded by the South West of England Regional Development Agency.

Role of SWT:

- The leader and voice of tourism at regional level
- To provide intelligence, knowledge, advice and promote best practice in business operations, skills, quality and welcome
- The custodian of the regional tourism development strategy and regional tourism development plan
- To provide expert advice and guidance which facilitates wise and targeted investment in tourism infrastructure and development
- By working with “beacon businesses” to support tourism development in the region through ‘Towards 2015’ Action Programmes, which tackle pan regional areas of weakness and opportunity
- To facilitate the continuous improvement in how the appeal of the region, the tourism experience themes and its destinations are communicated and promoted to our existing and potential visitors.
Contents

Executive Summary

1 Introduction
2 Conclusions for research
3 Key factors impacting on tourism in the region over the next quarter and year
4 Possible scenarios for tourism over the next quarter and year

Annex One  Key Regional Tourism Data and Statistics
Annex Two  National Research
          Regional Research
          Anecdotal Evidence
Annex Three  Impact of External Factors
Annex Four  Ideas and suggested actions to support tourism by:
          • Business
          • South West Tourism
          • DMOs and other tourism support bodies
          • Local Authorities
          • Government Agencies
Executive Summary

- January to March 2009 is down on the same period in 2008 by over 10%
- Easter 2009 was better than 2008, especially for the attractions sector, but Easter in 2008 was in March and outside the school holiday period that year
- The weakness of the £ against the Euro is a positive impact by deterring UK residents to holiday in the Euro zone
- Whilst there is still the potential for 2009 being a bumper year in terms of visitor numbers it is very unlikely to be a bumper year in terms of visitor spend. More worryingly there is no real evidence that 2009 will be a bumper year for the South West. (NB: based on the whole of 2009, which includes the summer weeks, for staying / day visits, secondary / direct spend)
- 2009 is likely to be a ‘patchy year’ with some sectors performing well or better and some lower or even poorly
- Secondary spend on food, drink and retail will be down
- Customers are looking for value, deals, and inclusive packages
- Consumer confidence and the weather will be one of the key factors
- Research has shown a predicted growth in overseas visits (International Markets USA and Europe), estimated at between 5 to 15%
- Business tourism has been hit harder than leisure tourism with trade down by up to 20%
- The key factors that will affect this year will be:
  - Weather (and weather forecasts!)
  - Consumer Confidence
  - Exchange Rates
  - Competitors Response
  - Perception of UK Holidays as Expensive
  - And potentially Swine Flu

Possible scenarios for tourism over the next quarter and year

Scenario 1 Bumper Year (Probability 5%) resulting in visitor numbers being up 10 - 20% on 2008 and visitor spend up by 0 - 5% on last year

Scenario 2 – A Good Case – A possibility (20% probability) resulting in visitor numbers being up 5 - 15% on 2008 but visitor spend being same as last year

Scenario 3 – Predicted Case – A probability (55% probability) resulting in visitor numbers being down 3 – 8 % on 2008 and visitor spend down by 10 - 20% on last year

Scenario 4 – Worse Case – A possibility (20% probability) resulting in visitor numbers down 15-20% on 2008 and visitor spend down by 15 - 30% on last year

Actions can be made by, Businesses, South West Tourism, DMOs and other tourism support bodies, Local Authorities, South West RDA and other Government Agencies and H M Government.
In summary:

**On the positive front**

- The strength of the Euro and the Dollar means that it is a lot more expensive for Brits to holiday in the USA and the Euro zone and far more attractive for overseas visitors to come to the UK and the South West
- Non Euro zone destinations are very attractive but oversubscribed and there will be no deals to be had in these areas in 2009
- Brits see holidays as a necessity not a luxury
- 20% of Brits who took a holiday abroad in 2008 plan to take their holidays in the UK in 2009
- Holidays are second in the priority of Brits spending (the top being repaying loans etc)
- Day trips and short break (outside London) least affected by the downturn.

**On the negative side**

- Rising unemployment and fear of unemployment causes Britons not to go on holiday
- Low interest rates for savers is effecting the confidence and spending ability of the older and senior markets
- All segments are likely to reduce spending on Food and Drink and Retail
- 75% are looking to cut back on holiday spending
- Customers will be seeking out value for money across all sectors and quality bands
- Competition is starting to respond with deals and increased promotions
- Late bookings will be a strong theme with customers not planning too far ahead, let alone booking - a wait and see approach.

2009 will be a challenging year and although there are reasons to be optimistic, rather than being overly pessimistic, these are unknown waters. The challenge will be the avoidance of complacency, the ability to flex and innovate and the need to sell on the value of the offering, not to discount but to undertake tactical pricing and sell-sell-sell.
1 Introduction

The report provides an overview on tourism in the South West of England in May 2009 and provides an analysis of how the current economic and market conditions are impacting on the sector.

It includes scenarios for how the next few months and the year ahead may pan out along with proposed tactics, actions and strategies to help tourism businesses to help themselves and the wider economy of the South West during the current recession, as well as proposed action by other key stakeholders.

2 Conclusions for research

From the various sources of research and evidence it appears that there are common messages coming through:

- January to March 2009 is down on 2008, albeit this is the low season and overall impact will be marginal.
- Easter 2009 was better than 2008, especially for the attractions sector. However, this was predicted due to Easter 2008 being in March. SWT predicts that when all the evidence is available it will more than likely be 5% down on 2007, which is a more suitable comparative year (i.e. Easter 2007 was also in mid March).
- The weakness of the £ against the Euro is a positive impact by deterring UK residents to holiday in the Euro zone (SWT contacts in European competitive destinations are reporting a significant reduction in enquiries and bookings from British customers).
- Whilst there is still the potential for 2009 being a bumper year in terms of visitor numbers it is very unlikely to be a bumper year in terms of visitor spend. More worryingly there is no real evidence that 2009 will be a bumper year for the South West. There is still only press speculation based on a few optimistic and over simplified scenarios focused on certain sub sectors, such as camping and concentrating on the main season only. This does not allow for the all important and more fragile shoulder and low seasons which are so vital for the profitability of tourism and the wider economy.
- 2009 is likely to be a ‘patchy year’ with some sectors performing well or better, and some lower or even poorly.
- Secondary spend on food, drink and retail will be down, but the question is by how much and the late booking trend is, and will be, a common theme, opportunity and threat.
- Customers are looking for:
  - Value i.e. that they feel they have spent their money wisely
  - Deals i.e. looking for a bargain or an individually negotiated deal
Discounts i.e. many are expecting and some are demanding discounts (to varying degrees of success).

- Inclusive packages to aid them in budget control, such as no hidden costs, packaged deals at all levels (i.e. fixed price lunches and dinners with wine included etc)

- Consumer confidence will be one of the key factors for determining when, or if, they book a South West break or holiday.

- Weather is the last, but biggest factor, not only for bookings, but also if visitors feel they have had ‘value’. A good late spring/summer will be the biggest factor in how the year pans out (as it is every year, but more critical than ever this year).

- Research has shown a predicted growth in overseas visits (International Markets USA and Europe), estimated at between 5 to 15%, but this would only add a maximum of 1 – 1.5% to tourism in the region overall, as the sector is dominated by the domestic market.

- Business tourism has been hit harder than leisure tourism with trade down by up to 20% due to a number of factors.

More analysis and details are contained in Annex One and Two.

3 Key factors impacting on tourism in the region over the next quarter and year

3.1 Weather (and weather forecasts!)

During late spring and especially the summer, the weather will be one of, if not the biggest factor in the levels of business achieved in these critical weeks/months. The most volatile sectors being camping and caravanning, but it impacts across the whole sector.

Out of season bookings are key for the industries profit levels. A wet autumn combined with a reduction in the number of holiday’s visitors are taking could impact on the overall occupancy levels at the end of the year and this could hit profits and the ability of the industry to reinvest to maintain its competitiveness.

One concern often expressed (and evidenced) is the impact of weather forecasts. In the two weekends in the middle of April the forecast was more pessimistic than the weather actually turned out to be and this did have an impact.

The key issue relates to the frequent use of the words/symbols ‘showers’ or ‘possible showers’, which is often used on a precautionary basis by the forecaster. As a result this is often interpreted as ‘rain’ by the public and trips not booked or days out cancelled; South West Tourism will be liaising with the Met Office on this matter (again).

3.2 Consumer Confidence

Over the last decade or so, the residents of the UK have spent more of their increasing disposable income and wealth on holidays/breaks in the UK and

overseas. Very often a UK resident will have one or two main holidays plus between two to four short breaks.

However, it is well known that the loss, expected or feared loss of income (primarily through losing their jobs), and also through temporary lay-offs, short time working, loss of overtime or bonus payment, will immediately result in a dramatic reduction in holiday habits and often the abandonment of all holidays and breaks, this may be replaced by day visits within their local area.

In addition, the loss of wealth or perceived loss of wealth has a delayed impact on holiday habits and on secondary spending whilst on holiday, as people try to rebuild their savings/wealth. This will be particularly important to the “baby boomer” and “senior” markets. The critical factor will be how the ‘print and broadcast media’ influence the confidence of consumers regarding their employment, income and wealth prospects in the coming months and years.

As with ‘foot and mouth’ the media can amplify, reduce, or even (hopefully) improve the prospects of tourism in the coming few months.

‘The senior’ market confidence will be affected by the interest rates levels and if they remain at their historically low rates it will result in this segment taking fewer short breaks until they see an improvement in the return on investment.

3.3 Exchange Rates

The current £ : Euro exchange rate is perceived as parity between the £ and the Euro and this has made the Euro zone far more expensive for UK visitors and has deterred around 20% of those who holidayed abroad in 2008 from holidaying abroad this year. However, this does not automatically mean they will holiday in the UK let alone the South West, they may simply and literally holiday at home – the ‘staycation’ phenomenon seen in the USA last year.

3.4 Competitors Response

South West Tourism has contacts in various European destinations such as Spain, Italy, Cyprus and the Balearics all of whom are reporting significant reductions in business enquires and bookings form the UK.

However, if this results in an overall reduction in trade, we predict that this will result in promotions on deals and ‘all inclusive’ guaranteed price packages, heavy discounting and late deals that may tempt back the wavering British customers despite the exchange rate.

Also other regions and countries within the UK are increasing their promotions, with Eire, Northern Ireland, Wales, Scotland and now Yorkshire running major campaigns including TV advertising. This may well result in displacing some our existing and potential customers to other parts of the UK and England – is this the best use of public funds?

3.5 Perception of UK Holidays as Expensive

Early results from a very recent survey aimed at identifying why visitors do not visit the South West, identified one key factor as being a perception that the
region is comparatively expensive (especially if the weather is wet due to extra
cost of visiting wet weather attractions particularly for families). One of the
challenges in 2009 and beyond will be to reduce or change this perception
through the promotion of ‘value propositions’ and targeted PR to feature the
quality and value available in the country and region. Visit England is leading with
a £3m campaign and regions and destinations will need to ensure they undertake
complimentary and supportive activities.

The value proposition is the key rather than reckless discounting or focussing
exclusively on the budget end of the market.

3.6 Swine Flu

The recent incidents of swine flu and speculation regarding a widespread
pandemic may well have an impact on overseas tourism in certain destinations
(e.g. Mexico) but whether this causes displacement to other overseas
destinations or a shift to UK holidays is still to be established.

However, if, and it is only an if, consumers worry about catching the virus on
planes then it will impact on overseas trips. It could well benefit UK tourism in the
domestic market, but hurt UK tourism with regard to overseas customers not
coming to the UK.

**Annex Three** provides a more detailed analysis of the impact of these variability
factors.

4 Possible scenarios for tourism over the next quarter and year

Due to the fact that there are a variety of potential impacts and influencing factors
on tourism in the next quarter and the rest of the year, there is no simple
projection for the future, but more of a range of scenarios as to how the year will
pan out.

**Scenario 1 Bumper Year (Probability 5%)**

- Very good weather in Spring
- Hot and sunny summer (the critical weeks) 1976/1995 summer weather
- Good weather Autumn
- Media are very positive on UK holidays and breaks
- Consumers choose short breaks across the year and one longer UK holiday
- Media attention on the economic situation becomes minimal/positive
- Unemployment does not rise as predicted earlier in the year – easing peoples
  worries
- Exchange rate remains very favourable (i.e. Euro: £0.95 +)
- The UK and overseas competition does not have any significant impact on
  our customer segments
- Swine flu disappears especially the media interest in it.

**Result:**

**Visitor Numbers**  up 10 - 20% on 2008

**Visitor Spend**  up 0 - 5% on last year

Scenario 2 – A Good Case – A possibility (20% probability)

- Fair/good weather in Spring
- Good warm sunny summer (the critical weeks)
- Fair/good weather in Autumn
- Media are positive on UK holidays and breaks
- Consumers choose several short breaks across the year rather than one longer holiday
- Media not too pessimistic over economic situation
- Unemployment does not rise too quickly
- Exchange rate remains very favourable (i.e. Euro: £0.90 +)
- The UK and overseas competition does not have an excessive impact on our customer segments
- Swine flu panic declines.

Result:

Visitor Numbers up 5 - 15% on 2008
Visitor Spend same as last year

Scenario 3 – Predicted Case – A probability (55% probability)

- Average weather in Spring and Autumn
- Average weather in summer (i.e. many sunny days interspersed with fair days and spells of 1-3 wet days etc).
- Media - mixed messages (i.e. UK holidays good but also features on late available overseas deals and promotions)
- Media - mixture of negative and positive messages over the economic and unemployment situations
- Unemployment does grow, but at a steady rate with no big repetitive stories and associated media coverage
- Exchange rate remains favourable (i.e. Euro: £0.85+)
- O/S competition has some impact regarding late/special and inclusive price promise packages
- UK competition does cause some displacement from South West to other UK regions especially for short breaks out of season
- Swine flu – becomes accepted and less newsworthy.

Result:

Visitor Numbers down 3 – 8 % on 2008
Visitor Spend down 10 - 20% on last year
Scenario 4 – Worse Case – A possibility (20% probability)

- Patchy/poor weather, Spring and Autumn
- Poor wet summer (i.e. 3rd year in a row!)
- Media - negative messages about the British weather and how expensive it is to have a holiday or day out in the UK
- General media fixation on how bad the current economic recession is (i.e. worse for 60 years etc)
- Unemployment and job losses remains a core story for media with numerous special features on certain sectors etc, thus increasing peoples fears of losing their job
- Exchange rate weakens – making overseas more attractive (i.e. Euro £0.80ish)
- Overseas competition becomes very aggressive with value deals, all inclusive competitive packages and high profile discounting marketing and promotion
- UK regions and destinations promote aggressively with TV adverts, posters etc and create noticeable displacement from South West to other UK regions and city destinations looking to replace lost corporate business
- Swine flu becomes a major issue.

Result:

Visitor Numbers down 15-20% on 2008

Visitor Spend down 15 - 30% on last year

Note -30% on visitor spend (relates to swine flu becoming a major issue)
Annex One

Key Regional Tourism Data and Statistics
Annex One

Background - Key Regional Tourism Data and Statistics

South West Tourism’s research results from the Value of Tourism 2007 (issued April 2009) study draws together data from a number of surveys to show the contribution of tourism to the South West economy.

It provides the only comparable estimates of the impact of tourism right down to local authority level across the region.

KEY RESULTS FOR 2007:

- Total (stay and day) visitor related spend is worth £9.3 billion to the South West economy.
- Total number of trips (day & staying visits) = 118,758,000
- Total employment (FTE’s) = 194,072
- Total employment (estimated actual) = 262,170
- Proportion of total regional employment = 10%
- All staying visitors = 22.7 million trips, 98.7 million nights and £4,642 million spend
- Day visitors = 96 million trips, and £4,180 million spend

This represents a slow but steady growth from 2000 to 2007 but it obviously does not take into account the impact of the credit crunch pressures in 2008 or the more dramatic economic news on the recession and the impact that has, and will have, on consumer confidence.

During 2008, especially from mid summer onwards, we started to observe a reduction in visitor spend overall and a significant reduction in secondary spend on food & drink and shopping.

Sub Regional Facts

All staying visitors (UK & Overseas) 2007

- Cornwall 4.9m trips, 24.9m nights, £1,147M spend
- Devon 6.1m trips, 26.1m nights, £1,299M spend
- Dorset 3.7m trips, 15.2m nights, £691M spend
- Former Avon 3.1m trips, £10.6m nights, £546M spend

- Gloucestershire 1.5m trips, 4.9m nights, £236M spend
- Somerset 2.8m trips, 11.1m nights £422M spend
- Wiltshire 1.6m trips, 5.4m nights, £265M spend

Day visitors 2007

- Cornwall 9.9m trips, £431M spend
- Devon 19.9m trips, £876M spend
- Dorset 14.4m trips, £611M spend
- Former Avon 15.7m trips, £743M spend
- Gloucestershire 11.5m trips, £480M spend
- Somerset 13.9m trips, £593M spend
- Wiltshire 10.8m trips, £447M spend

Break down of Visitor Spend 2007

- Accommodation £1.654m spend – 19% of total spend
- Shopping £2,252m spend – 26% of total spend
- Food and Drink £2,704m spend – 31% of total spend
- Attractions/Entertainment £965m spend – 11% of total spend
- Travel and transport £1,248m spend - 14% of total spend
Annex Two

National Research

Nov 2008 to Jan 2009 UKTS figures

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<th>Bed nights (millions)</th>
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<tr>
<td>Business</td>
<td>3.5</td>
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National Consumer Research (Source TNS Research Company) (April 2009)

“Up until a few months ago, the travel industry seemed to be outperforming most other sectors of the economy, but our latest travel and tourism research shows that a large number of Britons will be cutting back on holiday this year. Many British people are electing to go on holiday only once, rather than twice or more, as they’ve done in previous years.

Research conducted in January revealed that over one third (38%) planned to cut down to one holiday in 2009 but this figure has now increased to 50%. Our January figures had also revealed that 18% were waiting for last minute offers in the hope of securing a better deal – this figure has now dropped to 11%.

There appears to be no clear shift towards holidays or short breaks in the UK and Ireland as opposed to taking holidays overseas and this would suggest that the economic downturn is unlikely to boost the domestic holiday industry.

Our research indicates that the economic downturn is now having a direct impact on Britons’ holiday plans, and as there is no clear indication British travellers will be choosing domestic holidays rather than overseas trips, the UK travel industry could be in trouble.”

4 Regional

Regional Performance Quarter 3 2008 (Sept to Dec) – (Source - SWT 2008)

Visitor figures for the last quarter of 2008 show the impact of the start of the recession. Visitor figures overall were down just over 6% with the accommodation sector being the worst hit. Devon performed the best with Gloucester and Cornwall suffering the most.

Turnover fared better but was also down by just over 3%. Once again the accommodation sector came out worse. Other tourism businesses turnover remained fairly static with a drop of 0.5%. Devon again performed well with a turnover increase of 3% which may well be partially due to the high cost of fuel in 2008 causing a shift of visitation from Cornwall to Devon.

2008 Domestic Staying Visitor Figures (Source UKTS)

2008 saw decreases of -7% in domestic visitor trips to the region, -10% in visitor nights and -4% in visitor spend compared with 2007, according to UKTS. This gives a good indication of the impact of two consecutive wet summers and the increasing impact of the credit crunch on consumer confidence and spending.

South West Tourism’s Research - How’s Business Easter 2009

- SWT contacted accommodation providers and visitor attractions within the South West region to gauge how business was looking over the Easter weekend. 207 accommodation providers and 76 visitor attractions responded to the survey

- Accommodation providers were asked ‘How are things looking for the Easter weekend are you…’ 26% stated they were fully booked, 29% were not yet fully booked but expect to be full by the Easter weekend, 14% were not yet fully booked but may be if the weather forecast is good for the Easter weekend and 31% did not expect to be fully booked.

- When accommodation providers were asked ‘How do you think business levels for this Easter weekend this year compare to Easter weekend in 2008?’ 31% felt business has increased, 52% said it has stayed about the same and 18% felt it has decreased.

- Accommodation providers were asked ‘Have you discounted your rates at all over the Easter Break to encourage bookings?’ 27% said yes they had discounted their rates, 71% said no they hadn’t discounted rates and 2% did not reply.

- They were also asked ‘Are you offering any additional value to your customers for example free upgrades, better quality at the same prices as last years etc.? ’ It was an equal split of 49% saying yes they were and 49% saying no they were not, with 2% not replying.

- The overall anecdotal feedback for accommodation providers suggested that the later Easter break has helped businesses, offering added value such as upgrades has improved bookings, or they have held their prices from last year to encourage bookings.

- In contrast, 92% of attractions felt that business levels have increased, 6% felt it has stayed about the same and only 2% felt that it has decreased.

- When attractions were asked ‘Have you any special promotions or events on over Easter to encourage visitors?’ 59% said yes that have and 41% said no they haven’t.
• Attractions were also asked ‘Have you noticed any differences this year with how much people are spending whilst visiting your attraction?’ 37% said yes people were spending less on site, 40% there was no difference and 23% said people were spending more.

Note on Easter 2009

It should be highlighted that in 2008 Easter fell in March and the early spring school holidays were in April resulting in reduced trade in comparison to the “traditional Easter holiday. The Easter period in 2008 was also very wet. Therefore, we would have expected and predicted improved business in 2009 over 2008.

5 Anecdotal (Source SWT April 2009)

During the last few weeks anecdotal evidence has been collected, collated and analysed from information provided by Destination Management Organisations (DMOs), trade associations, business research undertaken by South West Tourism and others through one-to-one and broader industry events and conferences.

5.1 Positive Anecdotal Evidence

• The Caravan Club are reporting very strong enquiries, very good bookings and business so far this year

• Coach operators are reporting good business with Shearings reporting an additional 20% over 2008

• Bookings for the most popular weeks and weekends are coming in earlier than in a normal year, with many reporting being fully booked 2/3 weeks ahead of normal. But it must be stressed that these weeks and weekends would normally be full anyway

• Many attractions reported very good business levels over Easter – this was helped by excellent weather over this critical weekend

• Camping site operators are recording good levels of enquiries and healthy forward bookings

• Holiday parks are reporting good levels of enquiries and strong bookings for the popular weeks and are reasonably confident about their booking levels this year

• There is also evidence of businesses adding value to attract customers who are looking for value for money. Adding value is including an extra at no extra cost to the customer (i.e. free tickets to an event or attraction or including a free beauty treatment).
5.2 Negative Anecdotal Evidence

- Holiday parks are reporting a dramatic drop in sales of holiday home units (these sales make a significant contribution to the profitability of this key sector).

- Business tourism is significantly down as business travel is reduced and companies/organisations insist their staff trade is down to the budget hotels etc. and this has hit margins as room rates reduce with a greater impact in urban areas.

- Rural sectors appear to be being hit harder, with more interest in the coast than the countryside and the small business profile makes competing against big groups and chains harder.

- Secondary spending on food and drink is down with visitors either reducing eating out, moving down the price range and an increasing use of take-aways. 2009 could well be ‘Take away Year’ with too many not using good local food and drink

- Retail secondary spend is slightly down with visitors looking for sales and discount deals etc.

- There is evidence that secondary spend on perceived luxuries will be down. Health and beauty is an area customers have indicated they will be cutting down on.

- There is evidence of deals and discounting taking place, which if based on a “tactical pricing” approach, should be welcomed. Tactical pricing being where the price is reduced or value added, whilst the margin/contribution to the business is maintained or at an acceptable level to ensure the long term profitability of the operation.

- There are also some early signs of “reckless discounting” in response to lower levels of bookings and in response to other business “tactical pricing”. However, with “reckless discounting” all too often the margin/contribution levels and eventual profits are overly reduced or wiped out leaving the business’s longer term viability in question.

International Markets (USA and Europe)

The South West has a number of key international destinations, including Bath, the Cotswolds, Salisbury and Stonehenge to name but a few.

Whilst the exchange rate is favourable, which could be seen to attract additional overseas visits, these markets have their own economic turmoil and many overseas visitors will be reviewing their own plans. This means that we will probably not see a massive increase in the overseas visitors that we would normally expect when the exchange rate favours British tourism, even with additional promotional activity. We should still see a return of recently lapsed and lapsed overseas customers and a predicted growth in overseas visits by 5 to 15%, but this would only add a maximum of 1 – 1.5% to tourism in the region overall as the sector is dominated by the domestic market.
Business Tourism

Business tourism has been hit harder than leisure tourism due to the following factors:

- A reduction in business travel due to fewer business meetings as a result of the recession
- Fewer private sector/corporate sales events
- Lower attendance at conferences, conventions and trade fairs
- Companies and organisations cutting budgets and using new technology rather than some face-to-face meetings
- Companies and organisations cutting back on entertainment budgets and/or being more prudent and trading down on entertainment spending
- Companies and organisations shifting from conventional business hotels and increasing the use by the corporate sector of the budget hotel chains, some of whom are doing well in the recessions (Premier Inns etc).

Public sector events, conferences, workshops, training sessions etc. are holding up for now, but there are reductions in this market as public spending cuts.
Annex Three

Analysis of the Impact of External Factors
## Annex Three Impact of external factors

### Weather Impact – Summer/Autumn 2009 – Staying Visitors

<table>
<thead>
<tr>
<th>Sector</th>
<th>Weather</th>
<th>Notes and Potential actions to reduce adverse impacts</th>
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<tr>
<td>Hotels</td>
<td>Good: Average</td>
<td>Late bookings, internet is the key, tactical pricing, promotion of inclusive packages. Budget hotels will do well. Price pressures will reduce margins as will absorbing additional costs.</td>
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<tr>
<td></td>
<td>Average - Down 0-5%</td>
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<tr>
<td></td>
<td>Bad: Down 8-15%</td>
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<tr>
<td>B &amp; Bs (and Pubs)</td>
<td>Good: Average</td>
<td>Suffering from a shift to self catering and competition from budget hotels and hostel type accommodation (e.g. lodge type). A major market being seniors and empty nesters are reducing their short break activity.</td>
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<tr>
<td></td>
<td>Average - Down 5 -15%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Bad: Down 10-20%</td>
<td></td>
</tr>
<tr>
<td>Self catering Cottages &amp; Apartments</td>
<td>Up 0-10%</td>
<td>Late bookings a feature, key to sell on per person concept to demonstrate value.</td>
</tr>
<tr>
<td></td>
<td>Average</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Down 0-5%</td>
<td></td>
</tr>
<tr>
<td>Holiday Parks</td>
<td>Up 10-20%</td>
<td>But will suffer loss of sales and secondary spend in restaurants and shops.</td>
</tr>
<tr>
<td></td>
<td>Up 0-10%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Average - Down 0-5%</td>
<td></td>
</tr>
<tr>
<td>Farm based accommodation</td>
<td>Average - Up 0-5%</td>
<td>Shift away from rural to coast/seaside continuing.</td>
</tr>
<tr>
<td></td>
<td>Down 0-5%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Down 10-15%</td>
<td></td>
</tr>
<tr>
<td>Camping &amp; Caravanning</td>
<td>Up 20-25%</td>
<td>Very weather dependent and subject to late booking, also prone to early departure with arrival of adverse weather. Therefore potentially very volatile.</td>
</tr>
<tr>
<td></td>
<td>Up 10-20%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Average</td>
<td></td>
</tr>
<tr>
<td>Coach Tourism</td>
<td>Up 20-30%</td>
<td>Benefits from quality at a good price and cost conscious senior market.</td>
</tr>
<tr>
<td></td>
<td>Up 10-20%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Up 0-10%</td>
<td></td>
</tr>
<tr>
<td>Attractions</td>
<td>Up 10-15%</td>
<td>Free attractions could be up with effective promotion to visitors with increased secondary spend. Paid attractions up on numbers but down on secondary spend per person. Opportunity for promotion through accommodation providers.</td>
</tr>
<tr>
<td></td>
<td>Up 5-10%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Average</td>
<td></td>
</tr>
<tr>
<td>Food and Drink</td>
<td>Average - Down 0-5%</td>
<td>Likely to be a polarisation of market with top end and value performing well and problems in middle range. Impact on cost cutting by consumers, menu pricing advice needed and support to keep up push on local F &amp; D. Opportunity to encourage self-catering visitors to cook more local food and drink.</td>
</tr>
<tr>
<td></td>
<td>Down 10-15%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Down 15-20%</td>
<td></td>
</tr>
<tr>
<td>Retail/shopping</td>
<td>Average</td>
<td>Due to reduction in consumer spending except when looking for bargains.</td>
</tr>
<tr>
<td></td>
<td>Down 0-5%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Down 5-10%</td>
<td></td>
</tr>
</tbody>
</table>
### Weather Impact – Summer/Autumn 2009 – Day Visitors

<table>
<thead>
<tr>
<th>Sector</th>
<th>Weather</th>
<th>Notes and Issues</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paid Attractions</td>
<td>Good</td>
<td>Spend per head down on food and drink and retail. Could benefit from holidaying at home (i.e. at home in the region). Opportunity for collaborative multi-ticketing between attractions. Destination incentive cards.</td>
</tr>
<tr>
<td></td>
<td>Average</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Bad</td>
<td></td>
</tr>
<tr>
<td>Free Attractions</td>
<td>Good</td>
<td>Economic benefit to economy low but only if information is available to visitors. 50% of attractions are free.</td>
</tr>
<tr>
<td></td>
<td>Average</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Bad</td>
<td></td>
</tr>
<tr>
<td>Walking and Cycling</td>
<td>Good</td>
<td>Ongoing trend increased by low cost aspects of the activities.</td>
</tr>
<tr>
<td></td>
<td>Average</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Bad</td>
<td></td>
</tr>
<tr>
<td>Entertainment Centres, Cinemas, Leisure Centres</td>
<td>Good</td>
<td>Possibility of being more positive depending on stay-cation and days-out.</td>
</tr>
<tr>
<td></td>
<td>Average</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Bad</td>
<td></td>
</tr>
<tr>
<td>Retail/Shopping</td>
<td>Good</td>
<td>Reflect the general consumer trends in retail spending and significantly reduced impulse buying.</td>
</tr>
<tr>
<td></td>
<td>Average</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Bad</td>
<td></td>
</tr>
<tr>
<td>Food and Drink</td>
<td>Good</td>
<td>If good weather big increase in picnics and shift from eating lunch to tea and a cake. If bad weather will not go out.</td>
</tr>
<tr>
<td></td>
<td>Average</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Bad</td>
<td></td>
</tr>
</tbody>
</table>

### Consumer Confidence Impact – Summer/Autumn 2009

<table>
<thead>
<tr>
<th>Issues</th>
<th>Impact</th>
<th>Notes and Issues</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unemployment rising with associated media focus</td>
<td>Minor: Negative if slow and steady rise</td>
<td>Also an issue with short time working and temporary lay-offs, plus reduced bonuses.</td>
</tr>
<tr>
<td></td>
<td>Medium: Very negative if rapid rise and associated media coverage</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Major: Very negative if it becomes an ongoing obsession with the media</td>
<td></td>
</tr>
<tr>
<td>Negative media re recession and under mining the confidence in the government's and or international responsive to economic crisis</td>
<td>Minor: Negative</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Majority: Very negative</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Major: Very negative</td>
<td></td>
</tr>
<tr>
<td>Interest rate rises (modest rises)</td>
<td>Minor: Positive and negative</td>
<td>Positive on senior and baby boomer markets – negative on mortgage payers.</td>
</tr>
</tbody>
</table>
## Consumer Confidence Impact – Summer/Autumn 2009

<table>
<thead>
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<tr>
<td></td>
<td></td>
<td>Also an issue with short time working and temporary lay-offs, plus reduced bonuses.</td>
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<td>Negative media re recession and under mining the confidence in the government's and or international responsive to economic crisis</td>
<td>Negative</td>
<td>Very negative if it becomes an ongoing obsession with the media</td>
</tr>
<tr>
<td>Interest rate rises (modest rises)</td>
<td>Positive and negative</td>
<td>Positive on senior and baby boomer markets – negative on mortgage payers.</td>
</tr>
</tbody>
</table>

## Exchange Rate Impact – Summer/Autumn 2009

<table>
<thead>
<tr>
<th>Issues</th>
<th>Impact</th>
<th>Notes and Issues</th>
</tr>
</thead>
<tbody>
<tr>
<td>£ gets stronger (Euro 80p to £1)</td>
<td>Negative</td>
<td>Small increase in brits going abroad but could be bigger if weather bad in UK.</td>
</tr>
<tr>
<td>£ gets weaker (Euro = £1)</td>
<td>Positive</td>
<td>Further additional deterrent for brits taking overseas holidays.</td>
</tr>
</tbody>
</table>

## Competition Response

<table>
<thead>
<tr>
<th>Issues</th>
<th>Impact</th>
<th>Notes and Issues</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overseas / Euro zone.</td>
<td>Negative</td>
<td>Could take last minute bookings or short breaks away from south west.</td>
</tr>
<tr>
<td>Huge European discounts if bookings are low</td>
<td>Negative</td>
<td>If weather forecast and actual weather poor.</td>
</tr>
<tr>
<td>Overseas / Non Euro zone</td>
<td>Neutral</td>
<td>Destinations full. But could be positive with swine flu scare.</td>
</tr>
<tr>
<td>UK</td>
<td>Minor for main season</td>
<td>Unjustified use of public funds.</td>
</tr>
<tr>
<td>Big promotion budgets of other regions raising their profile</td>
<td>Negative for shoulder short break</td>
<td></td>
</tr>
</tbody>
</table>
### Perception of South West being Expensive

<table>
<thead>
<tr>
<th>Issues</th>
<th>Impact</th>
<th>Notes and Issues</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long term perception of expensive holidays and breaks in the South West often hard to change</td>
<td>Minor: Negative with lapsed and non visitors</td>
<td>Considerable PR effect will be needed to change this perception</td>
</tr>
<tr>
<td>The product is expensive – but it is often justified due to the quality being offered.</td>
<td>Medium: Must show value for money – maybe a change of mind set for industry</td>
<td></td>
</tr>
</tbody>
</table>

### Swine Flu

<table>
<thead>
<tr>
<th>Issues</th>
<th>Impact</th>
<th>Notes and Issues</th>
</tr>
</thead>
<tbody>
<tr>
<td>Swine Flu is a margin issue with occasional/marginal outbreaks of a mild kind</td>
<td>Minor: Slightly Negative</td>
<td>No real impact – some may just want to stay home or near to home</td>
</tr>
<tr>
<td>Swine Flu becomes quite widespread across the world and although still mild some people wanting to avoid catching and stay away from high contamination environments such as planes</td>
<td>Medium: Positive</td>
<td></td>
</tr>
<tr>
<td>Swine Flu becomes very widespread across the world and although still relatively mild with people wanting to avoid catching and stay away from high contamination environments such as planes</td>
<td>Major: Positive</td>
<td></td>
</tr>
<tr>
<td>Swine Flu becomes widespread across the UK and world and many people want to avoid catching it.</td>
<td>Minor: Negative</td>
<td></td>
</tr>
<tr>
<td>Swine Flu becomes very widespread across the UK &amp; world and becomes a more uncomfortable illness with stories of complications and even the occasional death and thus people wanting to avoid catching and stay away from high contamination environments such as planes or where strangers are</td>
<td>Very Negative</td>
<td>A major impact – many people want to stay home or near to home</td>
</tr>
</tbody>
</table>
Ideas and suggested actions to support tourism by:

- Business
- South West Tourism
- DMOs and other tourism support bodies
- Local Authorities
- Government Agencies
Ideas and suggested actions to support tourism by Businesses

- Have details of more localised and reliable forecast website links on businesses own websites
- Post a print-out of the more localised forecast on the notice board, breakfast table or even in each bedroom, cottage, apartment etc.
- Have information on grey and wet day suggestions ready for guests for when the weather is not sunny
- Use direct mail marketing to remind past customers on the quality of the holiday and break and remind customers how much they enjoyed their holiday
- Ensure your website is up to date and that it features details of all the free attractions and activities in the area
- Work with other businesses, trade associations marketing groups, local DMOs, Visit England and Visit Britain to maximise the effectiveness of their promotional budget and spending
- Businesses to add their name to the lobbying for a more effective promotion of England and for a level playing field in promotion with England
- Consider providing an all inclusive price/package to demonstrate the value
- Offer free or discount attraction tickets for early bookings as well as other “early booker” incentives
- Continue to use and promote the use of local food and drink, but add lower price meals on the menus whilst maintaining margins
- Staff Training
  - Ensure staff have the right skills particularly welcome and customer service skills
  - Ensure front line staff are aware of local attractions (free and paid) and other activities customers can do in the local area
  - Ensure staff know best grey and wet weather day options for visitors
  - Consider added value services; e.g.
    - free local guided walks
    - free cycle, surf or boogie board hire etc.
    - devise local treasure hunts for children
    - connections to other local services with special offers etc.
  - Avoid discounting, prepare tactical pricing options and discuss with other business in the area the dangers for reckless, even ruthless discounting – this normally leads to everyone losing out in the medium to long term.
Action by South West Tourism

- Lobby the Met Office and BBC to be more precise with regard to forecasts
- Promote a range of more localised weather website on visitsouthwest.co.uk
- Encourage support for Visit Britain and Visit England with the promotion of the benefits of holidays and breaks in the UK
- Support and partake in Visit England promotion of the ‘good value’ of English holidays and breaks using the regional image and brand promotion
- Promote the benefits of a holiday and break in the South West and reinforce the message and perception that a holiday/break is a necessity not a luxury or an indulgence
- Effective use of PR using “real visitor” stories etc.
- Be positive through the media and focus on the “glass half full “ story regarding the economy and employment and the benefits of holidays and breaks in challenging times
- Lobby the Department of Culture, Media and Sport (DCMS), Visit England and Government for an integrated England, English regions, destinations, experiences, marketing themes and promotion strategy to maximise the effectiveness of public funding
- Lobby DCMS, Visit England and Government for a sensible level playing field for public finding support for promotion and marketing
- Use of PR to sell the value across the range of South West holiday and breaks
- Encourage businesses with research and ideas and tips to introduce value solutions for business to consider adopting
- Work with Visit Britain, Visit England to communicate effective and responsible messages to the public
- Handle press enquiries and media speculation in such a way as to minimise scare mongering
- Work with South West Food and Drink and Taste of the West to continue to promote the use of local food and drink and how business can develop lower price menus etc.
- Collect and collate data and undertake research on the impacts of the recession on employment and skills and produce quarterly reports
- Continue to use the swtourism.org.uk website and Tourism Industry Newsletter to communicate to the whole industry on research, ideas, tips and suggestions
- Continue with targeted research to establish industry performance.
Action by DMOs and other tourism support bodies

- Help member businesses with marketing opportunities and benefits to assist in marketing and improving competitiveness
- Assist in the lobbying of the Met Office and BBC to be more precise with regard to forecasts
- Promote a range of more localised weather websites on their consumer websites
- Support Visit Britain and Visit England on the promotion of the benefits of holidays and breaks in the UK and support and partake in Visit England promotion of the ‘good value’ of English holidays and breaks
- Promote the benefits of a holiday and break in their destination and reinforce the message and perception that a holiday/break is a necessity not a luxury or an indulgence
- Use DMO marketing and promotion activity to sell destinations
- Use of PR to sell the value across the range of holiday and breaks
- Highlight all the free activities and attractions in the destination
- Promote a wide range of products at price ranges to suit all the target markets
- Work with South West Tourism, Visit Britain and Visit England to communicate effective and responsible messages to the public
- Working with South West Tourism to handle press enquiries and media speculation in such a way as to minimise scare mongering
- Work with businesses and encourage them to continue to promote the use of local food and drink and how businesses can develop lower price menus etc.
- Assist South West Tourism with the collection of data on the impacts of the recession in regards to employment and skills
- Promote ideas and suggestions to add value to member businesses products and services
- Help disseminate SWT research results and related communications.
Action by Local Authorities

- Maintain if not increase support for tourism by;
  - continuing to maintain good public realm, quality, visitor services and facilities, such as Tourist Information Centres (TICs), toilets, car parks etc.
  - continuing to support and assist festivals and events, plus other cultural spending facilities
  - supporting tourism development in their areas
  - supporting the DMO in its work with the industry
  - Assist with lobbying the Met Office with regards to forecast accuracy and localisation
  - Assist / directly lobby Government to support financially tourism services and management at local level by authorities
  - Encourage business support agencies to aid and assist tourism SME’s.
Action by South West Regional Development Agency and other Government Agencies:

- Continue to support SWT, Tourism Skills Network (TSN) and DMO’s with tourism development, funding and marketing support / funding
- Co-ordinate key support agencies, Business Link etc to target and support tourism businesses
- Where possible utilise funding to assist in the development of tourism such as the Rural Development Programme for England (RDPE) etc.
- Assist in the lobbying for a more coherent natural approach to the support and development of tourism in England
- Co-ordinate a more targeted and effective approach to tourism development at regional and sub regional level
- Help to lobby for reduction in red tape
- Continue to support the delivery of the regional tourism strategy (Towards 2015) – shortly to be refreshed.
South West Tourism (SWT)

South West Tourism is the independent strategic regional body for tourism, mainly funded by the South West of England Regional Development Agency.

Role of SWT:

• The leader and voice of tourism at regional level

• To provide intelligence, knowledge, advice, and promote best practice, in business operations, skills, quality and welcome

• The custodian of the regional tourism development strategy and regional tourism development plan

• To provide expert advice and guidance which facilitates wise and targeted investment in tourism infrastructure and development

• By working with “beacon businesses” to support tourism development in the region through T2015 Action Programmes, which tackle pan regional areas of weakness and opportunity

• To facilitate the continuous improvement in how the appeal of the region, the tourism experience themes and its destinations are communicated and promoted to our existing and potential visitors.