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Wales Tourism Business Barometer

Wave 4, November 2017

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Wales Tourism Business Barometer: Wave 4, November 2017

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Views expressed in this report are those of the researcher and not necessarily those of the Welsh Government

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1. HEADLINE FINDINGS

Strong year for the tourism industry

- 1.1 2017 has been a successful year for the tourism industry in Wales. About two in five (42%) operators have had more visitors than last year, and a similar proportion (39%) have had the same level. Only one in five (20%) operators are down.
- 1.2 The strongest sectors are restaurants, pubs and cafes (54% are up), hostels (52% are up) and attractions & activity providers (50% are up).
- 1.3 The positive results this year are reflected across the whole of Wales, with minimal differences between the four regions.

Own marketing brings success

- 1.4 Investment in own marketing by businesses seems to be getting results. One third (33%) of those experiencing increased visitors this year cite 'own marketing' as a key reason – by far the highest of any reasons given.

UK market is up

- 1.5 About two in five (39%) operators say they have received more UK visitors from outside of Wales this year, and half (49%) have had the same level. The weak value of the pound is thought to be a factor as holidays overseas have become more expensive for British holidaymakers.

Rising cost of utilities is a significant barrier to business growth

- 1.6 'Rising cost of utilities' is the highest rated barrier to business success and growth. Operators rate it 3.5 out of 5 on average, with 5 being the highest rating as a barrier.
- 1.7 There is not much difference between the barriers tested in the research in terms of overall average score, but results vary by sector. Self catering operators are most concerned about increasing competition (3.6 average). For restaurants, pubs and cafes, the rising cost of food and drink is the highest barrier (4.1 average). Attractions are particularly hit by tight public sector resources if they are public-funded, as some are.

Very high expectations for 2018

- 1.8 Following a strong year, expectations are running high for 2018. About half (48%) of operators expect more visitors next year, and a further 45% expect the same level.

2. QUALITATIVE FINDINGS

2.1 We have conducted depth interviews over the telephone with key tourism figures across various organisations and bodies across Wales.

2.2 The main findings are discussed below.

Tourism continues to perform well, building on previous years' successes

2.3 Industry leaders feel that the tourism industry has performed well so far in 2017, following on from the success of previous years.

"My members tell me that on the whole it's been a good year. It seems as if it's been a busier year than last year, and last year was good."

"Visitor numbers are up on last year. We are pleased with how things have gone."

2.4 This trend has continued through to the recent half term. Industry leaders have received anecdotal information from members informing them of another positive performance.

"My members tell me this half term has been quite good."

"It was a good half term – we don't know exactly why but visitor numbers seem good."

Tourism remains resilient, but many are wary of future challenges

2.5 Industry leaders often cite the resilience of the tourism sector and the ability to adapt. Most are confident they can ride out any future challenges, but they are wary of the uncertainty that Brexit may bring.

"We have concerns going into next year. Retaining staff that are European nationals, rising cost of goods etc. However, we are an established and resilient sector so I think we can ride out most challenges."

"We are optimistic for next year but we just don't know what the implications of Brexit will be. All we can do is continue to cater for our tourists as best we can and everything wider is out of our hands."

2.6 One association reports that their members have already had to make some changes resulting from the effect of Brexit.

"Businesses are starting to alter the prices on their menus. Something they have talked about for a while, but they are now doing it."

Concern over a potential 'tourist tax'

2.7 Most industry leaders cite the tourist tax – unprompted – as a concern. While they understand the cost to each visitor will be minimal, they fear Wales will appear as 'closed for business' and unwelcoming.

“If it’s a pound a night extra, or whatever, it isn’t much but it just looks like Wales is closed, that we don’t want visitors and that we aren’t friendly.”

“It’s the perception that it puts on Wales – that we don’t want tourists to come here.”

Continued increase in OTA bookings

2.8 Some industry leaders comment that OTA (Online Travel Agency) bookings continue to rise, especially last minute bookings through these channels. Accommodation providers have seen their fortunes change very quickly, from worrying about empty rooms, to being fully booked very quickly.

“Although it’s been busy, we don’t necessarily expect it until the last moment because people are booking online, and at the very last minute. That seems to be the trend nowadays.”

2.9 One industry leader even feels that where results have varied, this is partly down to whether an accommodation provider has signed up to, and is making the most of OTAs.

“I think this is partly the reason why performance has been patchy. Those not using OTAs are missing out and I don’t think they’re managing their booking system very well.”

3. BACKGROUND AND METHODOLOGY

What is the Wales Tourism Business Barometer?

- 3.1 The Wales Tourism Business Barometer is designed to give quick feedback on how the tourism industry in Wales is performing at key times during the year. The Survey has been running in various forms since 2005, and normally between two and five research 'waves' are conducted each year.
- 3.2 This research wave relates to the October half term 2017, with measurements also of expectations for 2018.

How is the Survey conducted?

- 3.3 This Survey has been made available for online completion as an alternative to telephone, which prior to 2016 was the only method used.
- 3.4 We have conducted 800 interviews by telephone, and the online survey distributed by area and sector partners has yielded an additional 73 responses. The overall sample of 873 makes results of questions asked to everyone accurate to $\pm 3.3\%$.
- 3.5 The sample of 873 responses is reflective of the tourism industry in Wales and is shown below by sector and region:

Sector / Region	North	Mid	South West	South East	Total
Serviced accom	103	51	76	65	295
Self catering	103	52	93	38	286
Caravan / campsites	40	17	17	5	79
Hostels	10	8	7	7	32
Attractions	31	12	17	28	88
Restaurants / pubs / cafes	11	13	5	13	42
Activity operators	16	9	16	10	51
Total	314	162	231	166	873

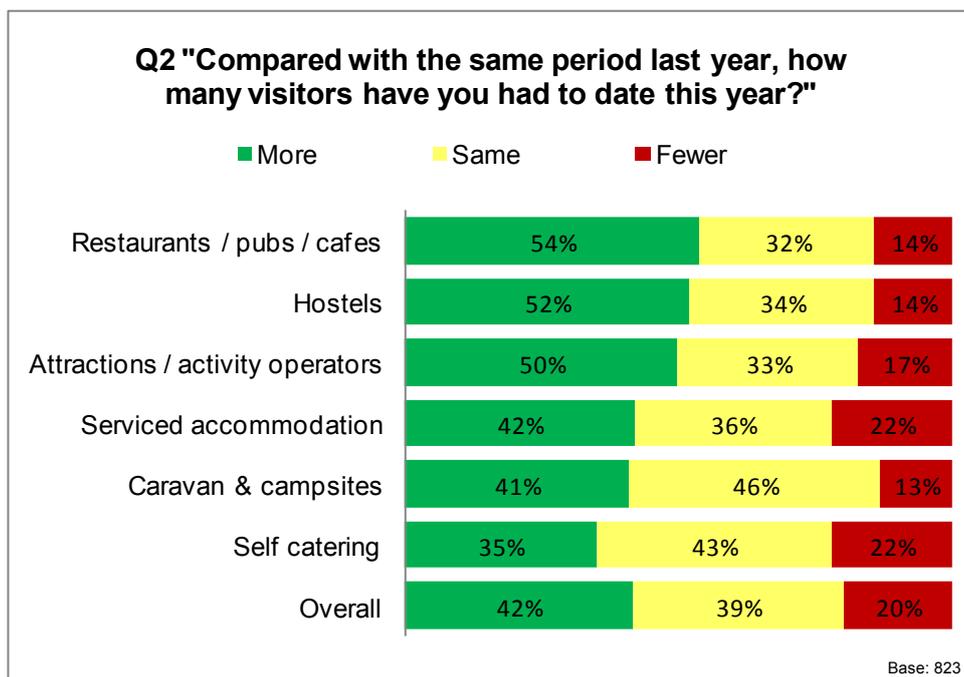
- 3.6 About two thirds (68%) businesses in the sample are currently graded by Visit Wales and 32% are not. The graded and non-graded samples are spread across the different regions and sectors except restaurants / pubs / cafes and activity operators, where grading is not applicable. Operators of restaurants, pubs and cafes have been selected in areas of high tourism footfall across different parts of Wales and have been asked to answer questions in the context of their tourist (i.e. non-local) customers.

3.7 All telephone interviews have been conducted with business owners or managers in November. A copy of the questionnaire used is included as an appendix.

Wave	Wave name	Timeframe
Wave 1, 2016	Easter	26 March to April 10
Wave 2, 2016	May half term	May 28 to June 5
Wave 3, 2016	Summer	June to August
Wave 4, 2016	Autumn	September to early November
Wave 1, 2017	Easter	April 8 to April 23
Wave 2, 2017	May/June half term	May 27 to June 4
Wave 3, 2017	Summer	June to August
Wave 4, 2017	Autumn	September to early November

4. YEAR-TO-DATE PERFORMANCE

PERFORMANCE BY SECTOR



Strong performing tourism sector

4.1 Wales' tourism industry can look back on 2017 with an air of confidence after a good year. Overall, 42% of businesses have seen an increase in visitor numbers compared to 2016, with a further 39% holding on to similar levels.

Cooking up a storm in 2017

4.2 Food venues are doing particularly well this year, with more than half (54%) feeding more people so far in 2017 than they did last year.

"14% up on this time last year"

"My last five months have gone above expectations"

Visitor numbers hotting up for hostels

4.3 Around half (52%) of responding hostels say that they have been signing in more visitors this year compared to 2016. Contributing to this is the increase in non-Welsh UK visitors, with 43% reporting an increase from this market.

"Our main customers come from London / South of England"

"Mostly British visitors"

Own marketing boosts attractions

4.4 With half (50%) of attractions and activity operators seeing more visitors, 2017 has been a good year so far. And of those reporting an increase, 46% say that their own marketing has helped that lift in numbers.

“We've put a lot more effort into the website and promoting the business in that way”

More book into serviced accommodation

4.5 Around two in five (42%) serviced accommodation operators say that 2017 has brought more visitors into their rooms.

4.6 Of those that have seen an increase, 31% say their own marketing has helped, and 25% say they have seen a general upturn in tourism in their area.

Pitching up in Wales

4.7 A good proportion (41%) of caravan and campsite operators say they have welcomed more people onto their site this year compared with 2016.

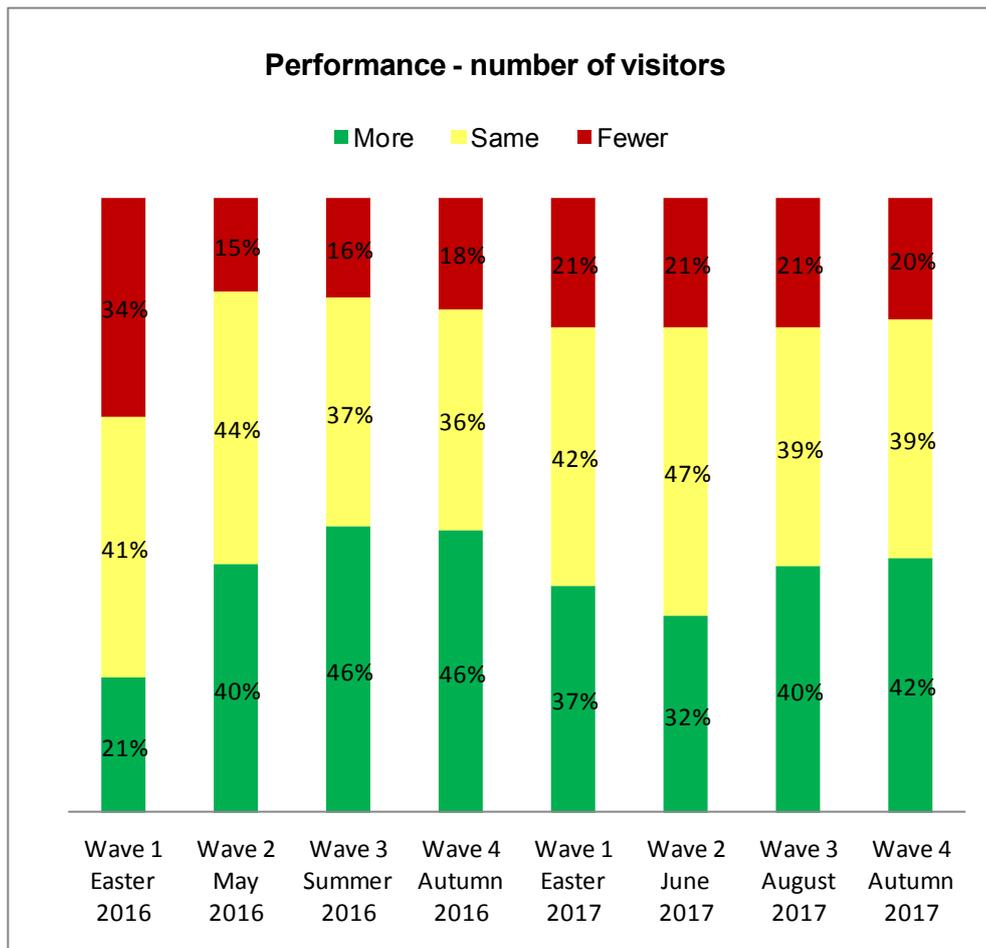
“We've improved things here and undertaken a dramatic push with our own marketing”

Self catering

4.8 While 43% of self catering operators have seen a similar number of visitors compared to last year, around a third (35%) say they have taken more bookings.

“In the later summer months (August to September), there seemed to be more visitors than previous years”

PERFORMANCE TREND



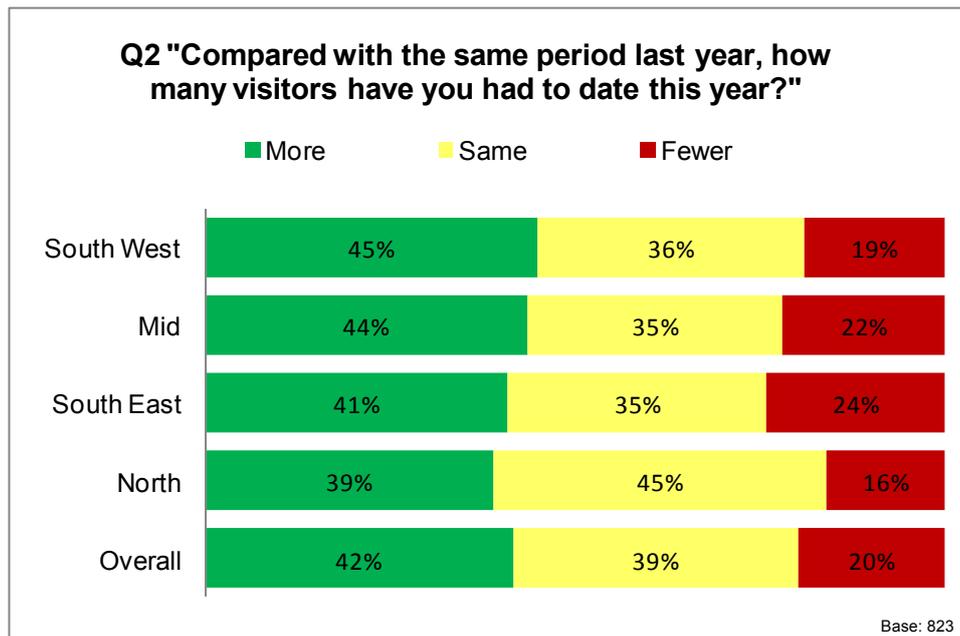
Tourism industry maintains a level of consistency

- 4.9 There seems to be fairly consistent growth in the tourism industry in recent years. As 2017 comes to a close, the year has not been significantly different to the end of 2016.
- 4.10 Through the open comments, some business say they have held onto similar levels of visitors for the past few years.

“We’ve been doing well for the last few years”
Self catering

“We’ve tended to stay same level for the last two to three years”
Serviced accommodation

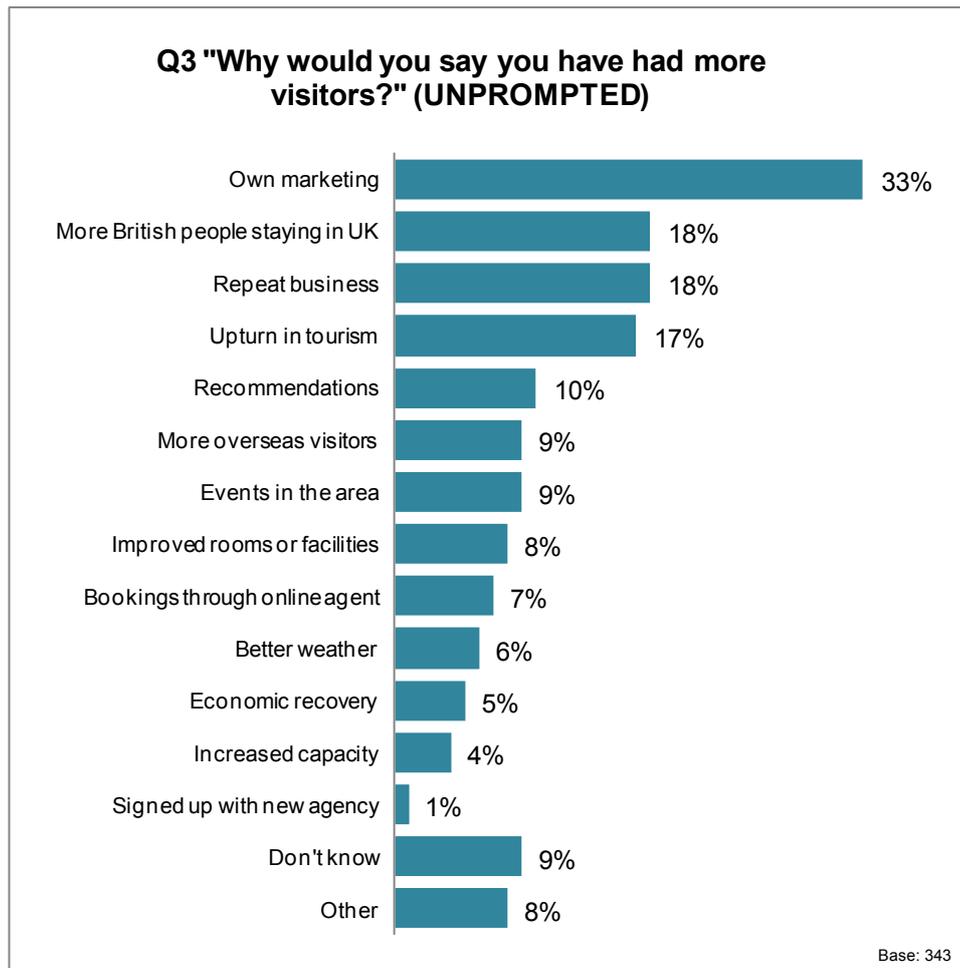
PERFORMANCE BY REGION



Consistency across Wales

4.11 The whole of Wales has seen good growth to date this year, with little difference between the four regions.

5. REASONS FOR INCREASED VISITOR LEVELS



Marketing works

5.1 Of the operators who have seen more visitors so far this year, a third (33%) say that their own marketing has contributed towards the increase. This includes social media marketing, website development and improving advertising.

"We are promoting the business more on Facebook and have seen an increase in bookings through that"
Self catering

"We've put a lot more effort into our own marketing"
Serviced accommodation

"We're doing our own online marketing to appeal to foreign visitors"
Self catering

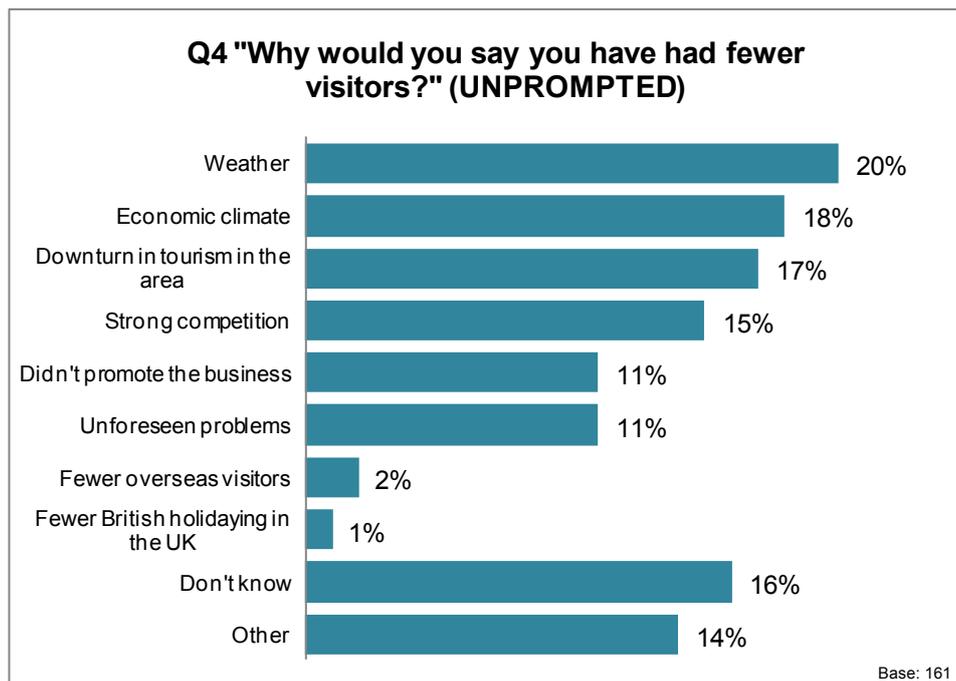
UK visitors are staycationing

5.2 There are many factors contributing to 18% of operators seeing more British people staying in the UK. Through the open comments, this is believed to include the devalued Sterling making overseas travel more expensive, and terrorism threats making people fearful of travel.

“Increase has come from the UK – south of the country in particular”
Self catering

“There may be more people staying at home due to Brexit and the threat of terrorism”
Self catering

6. REASONS FOR DECREASED VISITOR LEVELS



Uncertainty remains over drop in numbers

6.1 In recent waves of this report, many operators say they are at a loss as to why their visitor numbers have fallen – and this autumn, that question remains.

"We don't know why we've had fewer guests this year"
Self catering

"I don't really know why I've had such a decline in visitors. I've been advertising the same amount."
Self catering

Creeping costs are a concern

6.2 Through the open comments, operators have voiced concern over the rising costs they face. Some say they are unable to pass these onto their visitors without out-pricing themselves.

"Costs are going up all the time – it makes it harder to make a profit"
Self catering

"Due to rising costs, and not a very buoyant economy, we haven't been able to raise prices to counteract that"
Serviced accommodation

"Pension scheme, minimum wage, food and drink costs ... I had to get a loan yesterday to pay the wages"
Hostel

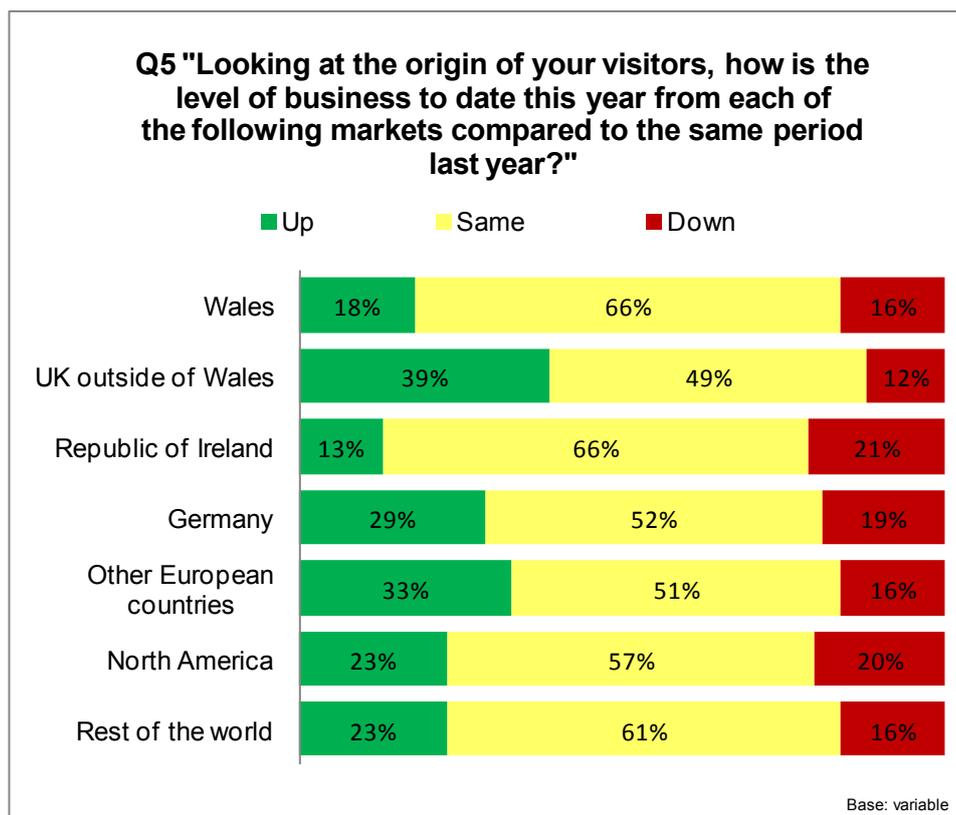
Increase in shorter stays

6.3 Some operators have noticed that visitors are staying for shorter periods. It is now more commonplace for a week's stay to drop to four or five days as people look at ways to reduce their spending.

“People are not booking full weeks anymore. They are rather staying 4-5 days which means my cleaners have more work cleaning up and preparing bookings.”

Self catering

7. ORIGIN OF VISITORS



Encouraging lift in UK visitors

7.1 As previously mentioned in this report, some operators have noticed more British people enjoying their holidays and short breaks in Wales. This is reflected in the above chart, which shows that two in five (39%) operators have seen more non-Welsh UK visitors this year.

7.2 This includes nearly half of all attraction and activity operators (48%), food venues (48%) and hostels (43%), but only a third (34%) of self catering operators.

"We noticed that the British market increased in 2017"
Hostel

7.3 Nearly half (46%) of operators in Mid Wales have seen an increase in the number of visitors from the UK outside of Wales – higher than the other regions of Wales.

Lower value Sterling makes Wales attractive to Europeans

7.4 Currency fluctuations has seen Sterling take a drop over the last 18 months. Not only has this contributed towards more UK visitors holidaying at home, but it has also made the country better value for Europeans. Three in ten (29%) operators are welcoming more Germans, and 33% are seeing more visitors from other European countries.

"We've had a lot more guests from Europe due to the weakness of the pound"
Serviced accommodation

“We've had more visitors from Germany and France in particular. The exchange rate is good for them as the pound is weak at the moment compared to the euro.”

Self catering

“Lots of repeat business mainly from the UK outside of Wales, and Germany”

Self catering

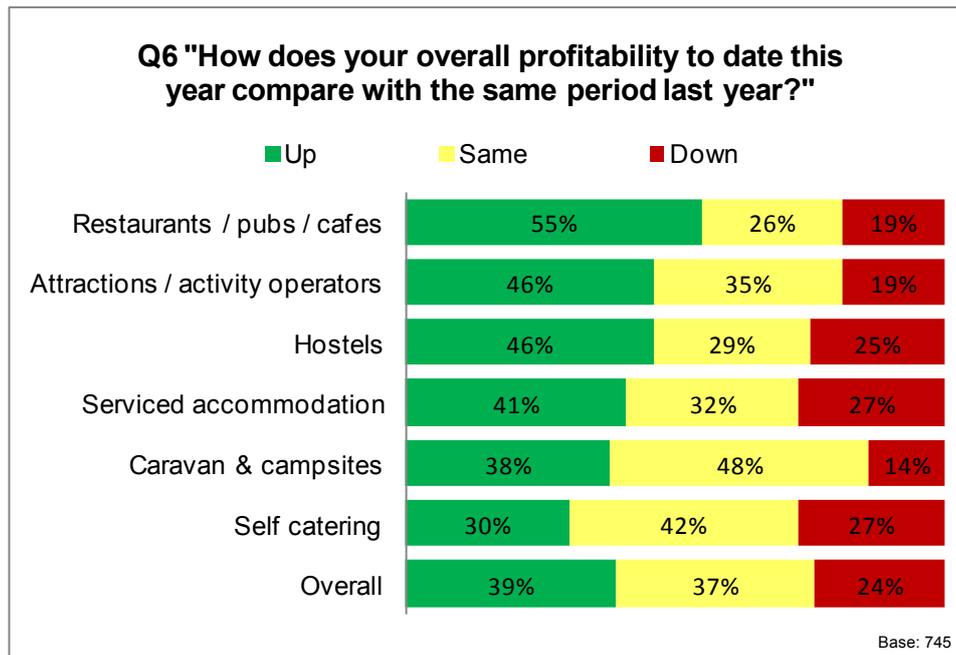
Largest ROI increases in South East Wales

7.5 One quarter (25%) of operators in South East Wales have seen more visitors from the Republic of Ireland this year, which compares to 11% of operators in the rest of Wales. This 11% of operators reporting an increase makes it the slowest performing of the markets.

Smaller increases from domestic market

7.6 The proportion of operators seeing an increase in visitors from Wales market is not as strong as other markets. Overall, 18% have welcomed more Welsh visitors, with restaurants, pubs and cafes seeing better results (34%) compared to other sectors, which includes 14% of self catering operators

8. PROFITABILITY



Moderate increase in profitability

- 8.1 With 42% of operators reporting higher visitor numbers, it is encouraging to see a similar proportion (39%) welcoming a rise in profitability.

"We're taking in more guests, so our profitability is up"
Hostel

- 8.2 While this profitability rise is, in part, a reflection of the visitor increase, some businesses are working hard to improve and expand their offerings and reduce costs to lift their profits.

"We're open more and we've been working to reduce the budget expenditure so have seen a slight increase in profits"
Attraction

Increase in costs affecting some

- 8.3 Rising operating costs, including wages and business rates, are having an impact on profitability for some operators.

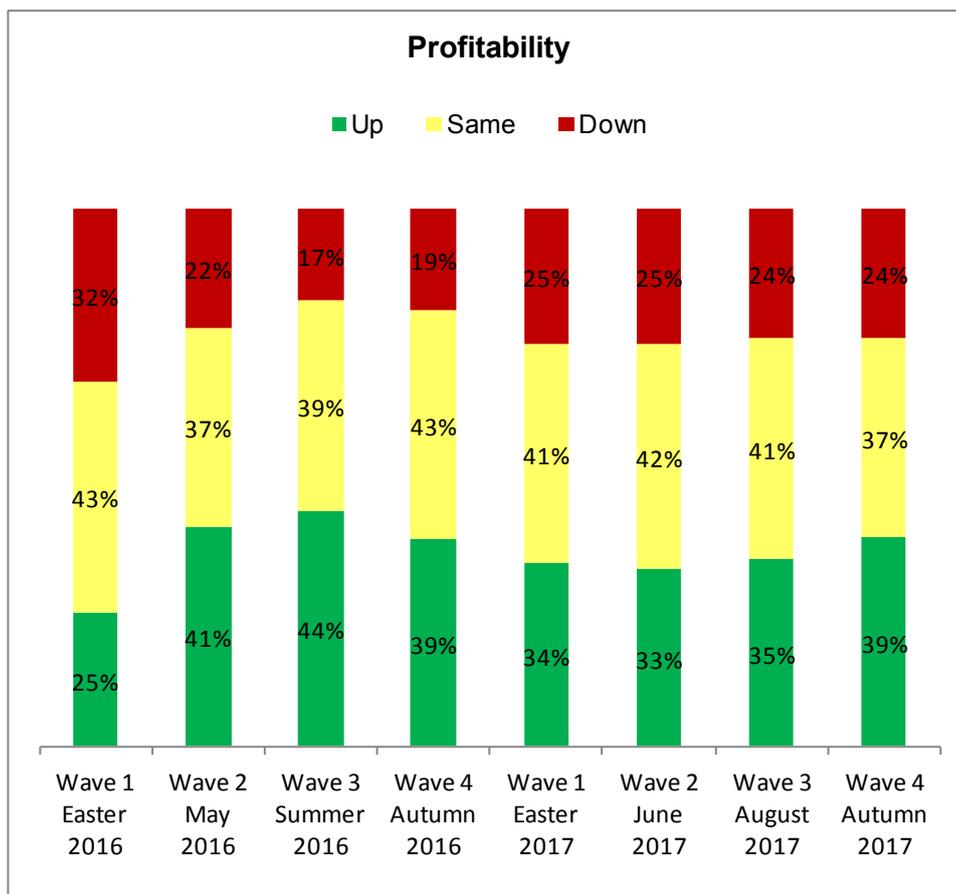
"We've had a decrease in profits due to costs. It costs so much more to operate the business."
Self catering

"Business rates are rising and are eating into our profit margin"
Serviced accommodation

Rise in visitors reflected in profitability, generally

- 8.4 Sectors reporting more visitors this year, are enjoying a rise in profitability that reflects this increase.
- 8.5 For restaurants, pubs and cafes, 54% have welcomed more visitors and 55% report higher profitability as visitors tuck into their Welsh-served food and drink.
- 8.6 For all other sectors, the proportion of operators reporting improved profitability runs slightly lower than the proportion with higher visitor numbers.
- 8.7 While 52% of hostels have had more visitors, 46% have higher profitability.
- 8.8 Half (50%) of responding activity operators have had more visitors, 46% more profitability.
- 8.9 The pattern is similar for all remaining sectors, with self catering recording both the lowest increases in visitor numbers (35%) and profitability (30%).

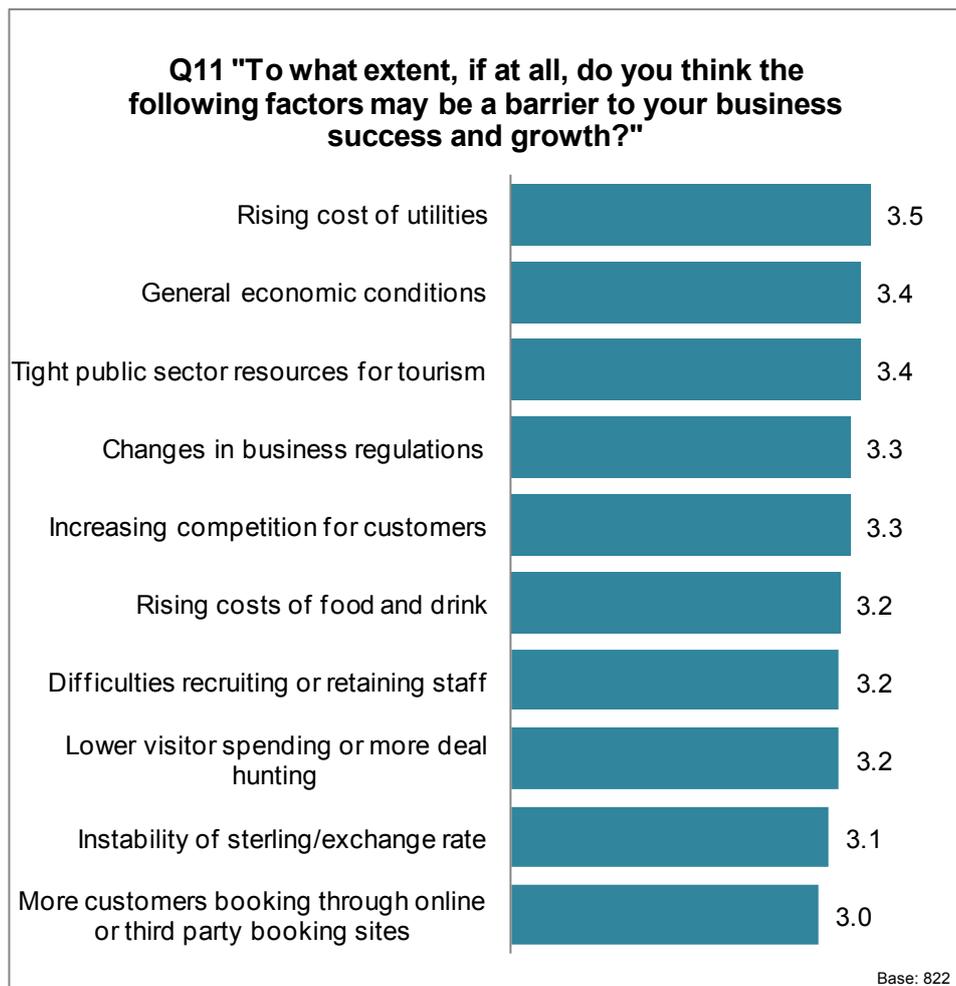
PROFITABILITY TRENDS



Slight lift in profitability

- 8.10 As 2017 starts to wind down, the year has delivered a moderate increase in profitability over the last few waves.
- 8.11 Currently, 39% report higher profits to date this year, which is on par with this time in 2016.

9. BARRIERS TO BUSINESS SUCCESS AND GROWTH



Respondents have been asked to rate each factor with a scale of 1 to 5, where 1 is no barrier at all and 5 is a significant barrier. The above chart shows the mean response for each factor.

Rising cost of utilities is the most significant barrier

9.1 Out of all factors that might be a barrier to the success and growth of a business, the rising cost of utilities rates as the most significant, with an average score of 3.5 out of 5.

"My utility bills are quite significant. This year it is getting rather too high and I just don't want to raise my prices."

Self catering

9.2 For restaurants, pubs and cafes, this is more of a barrier than it is for other sectors, with an average score of 4.0. This includes 44% of these operators giving a score of 5.

Concerns over the economy

9.3 With Brexit on the minds of many, the drop in the value of Sterling and people tightening their purse strings, 'general economic conditions' averages 3.4 out of 5 as a barrier.

9.4 In particular, hostels give the economy a 3.6, as do restaurants, pubs and cafes.

“Brexit and less disposable income, people stop spending and travelling”

Hostel

“Uncertainty in the economy at the moment. Everything's all over the place due to Brexit.”

Self catering

“There's a great deal of uncertainty about Brexit and people don't have the same confidence in the economy so won't be spending as much.”

Self catering

Tight public sector budgets hitting hostels

9.5 ‘Tight public sector resources for tourism’ has been rated 3.4 out of 5 in terms of being a barrier. With the public sector facing trying times as budgets are tightened, some see this as a considerable barrier to their own business’s ability to grow and further succeed. Hostels in particular see this as a barrier, with 57% giving it the highest score of 5.

9.6 The attractions sector (3.6 average score) is affected because many operations are public-funded rather than commercial enterprises.

“There isn't any money available in the public sector, everywhere is under resourced.”

Attraction

“Our main barrier is local government funding. It's getting smaller and smaller and if they continue to cut the funding we will have to close.”

Attraction

New business regulations

9.7 Understanding and keeping up to date with changes in business regulations is a barrier for business growth for some, with an average rating of 3.3 out of 5.

“Changes in business regulations are the biggest barrier for business growth of smaller businesses”

Serviced accommodation

“Disproportional red tape for small businesses – always something to do, always a need to jump through hoops.”

Serviced accommodation

Competition can be tough

9.8 While competition can be healthy, and certainly benefits consumers, it can also be hard for operators trying to gain business if there are a lot of alternatives for potential guests.

9.9 Overall, self catering operators see increasing competition as a barrier, rating it an average of 3.6.

“High competition in the area”
Self catering

“Increased competition – heightened competitiveness and price wars”
Hostel

“Too much competition from chains – people are just happy to go wherever the price is right nowadays”
Serviced accommodation

Food prices eating up profit

9.10 Unsurprisingly, it is the restaurants, pubs and cafes that see the rising costs of food and drink as a barrier to growth and success. Their average score is 4.1, with 49% in this sector giving the top rating of 5.

“Rise in wholesale costs of raw products”
Restaurant

Finding skilled staff is hardest for food venues

9.11 When it comes to difficulties recruiting or retaining skilled staff, it's the restaurants, pubs and cafes that find it the biggest barrier, rating it 3.6 compared to the 3.2 all-sector average. Food venues are closely followed by serviced accommodation (3.4) and hostels (3.3).

“We are having issues finding staff, especially chefs”
Restaurant

“It is very hard to find staff to stay in the hospitality industry”
Serviced accommodation

9.12 Finding staff is harder in the North of Wales, with operators in this region giving a rating of 3.3 – higher than the other three regions.

Hunting for a bargain

9.13 With many eyes on the economy, visitors and operators are both watching their outgoings. For visitors, this often means lowering the amount they spend and hunting for deals, which is rated a barrier of 3.2 out of 5 overall. Operators however are reluctant to concede on price because they have to more than cover their costs.

“People are definitely asking for multi-night discounts online but we still have the costs of cleaning teams and heating”
Self catering

Exchange rates are a double-edged sword

- 9.14 The instability of Sterling and exchange rates are considered 3.1 out of 5. The lower value of Sterling has increased the number of staycations and has made Wales a cheaper destination for some overseas visitors. But it also means that some costs have increased for operators.
- 9.15 With the UK and the EU in the middle of Brexit negotiations, it is unclear how Sterling will perform in the near future.

Third parties taking a cut

- 9.16 Compared to other sectors, serviced accommodation sees 'more customers booking through online or third party booking sites' as a barrier (3.4 average). A third (32%) of serviced accommodation operators rate this as a '5'.
- 9.17 While it helps the bookings come in, third party operators take a fairly significant percentage of the sale. This leaves operators having to decide whether to trade margin for volume. Some who do sign up to third party sites do so begrudgingly.

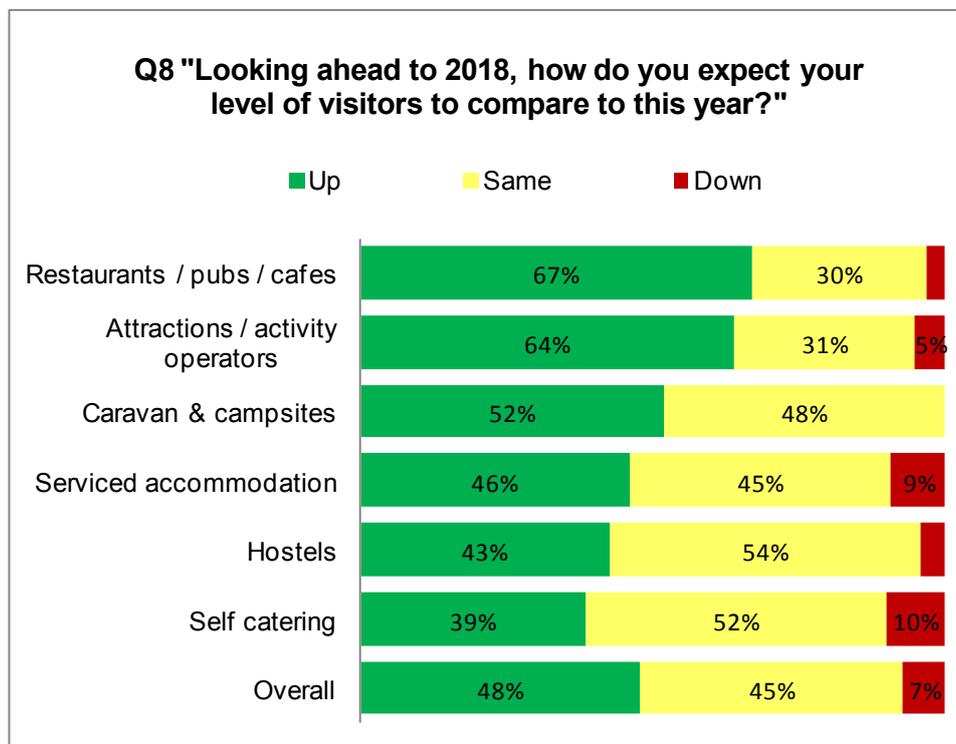
"Commissions are way too high on the different third party booking sites"
Self catering

"I think that booking.com is very dominant and I'm with them reluctantly – they take a profit and I work hard for my profit"
Serviced accommodation

"Booking sites are extremely convenient and that's how people seem to prefer booking a stay now, but the commission the site takes is ridiculous"
Serviced accommodation

10. EXPECTATIONS AND CONFIDENCE FOR 2018

EXPECTATIONS BY SECTOR



Base: 729

High expectations for non-accommodation operators

10.1 The future is bright for operators going into 2018, with expectations of a rise in visitor numbers. This is particularly true of food venues, attractions and activity operators.

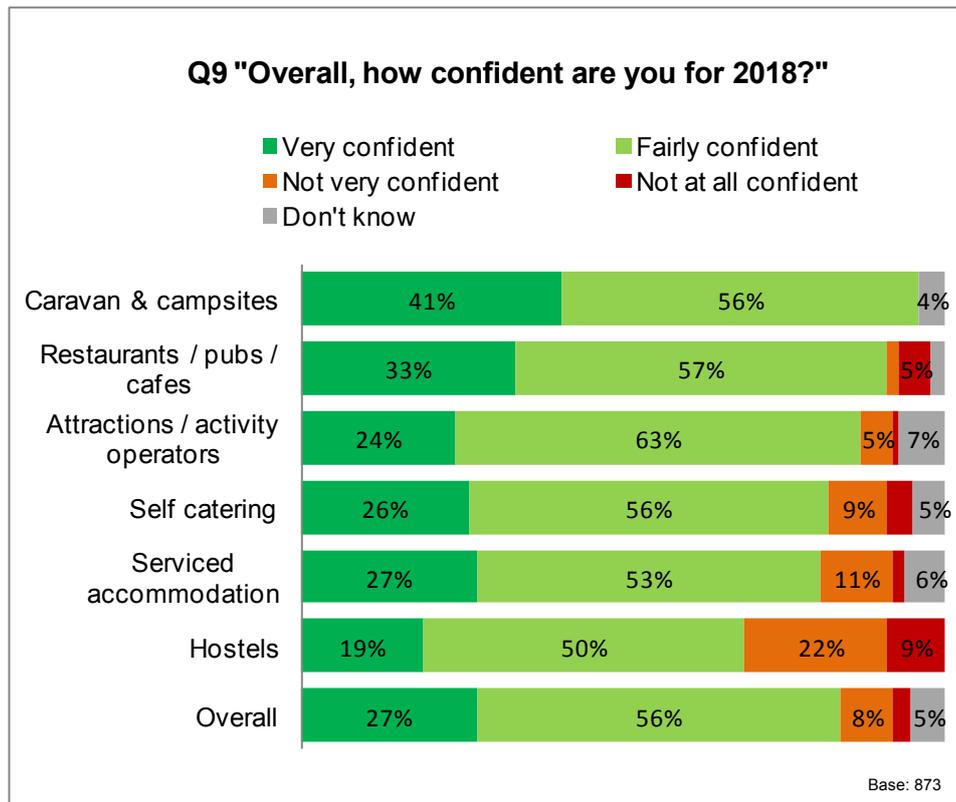
"We have received more advanced bookings for 2018 than 2017"
Activity operator

"We've already had people pre-booking for holidays through 2018"
Restaurant

Accommodation should continue to improve

10.2 Accommodation operators are also looking to 2018 with expectations of a lift in visitor numbers. This includes around half (52%) of caravan and campsites, 46% of serviced accommodation, 43% of hostels and 39% of self catering operators.

CONFIDENCE BY SECTOR



Industry remains confident

10.3 After a strong year, the majority (83%) of operators are heading into 2018 with confidence. Encouragingly, some operators are investing in their business to improve their offerings. Investing time, money and effort into businesses is helping levels of confidence in their performance.

"Very optimistic about 2018. We've put time and effort in, and it's reaping dividends."
Attraction

"We're having some renovations and work done. This should bring in a few more guests next year."
Attraction

"We have a lot of renovations due next year so preparing to spend more than we make but it will be an investment."
Self catering

"We're looking to expand and improve upon the facilities that we have"
Hostel

High hopes for the Year of the Sea

10.4 In 2018 Wales celebrates its outstanding coastline through themed year the Year of the Sea, which includes special events and attractions throughout the year. Through the open comments, some operators look forward to the positive effect this will have on their business.

“Hoping the Year of the Sea brings visitors, publicity and events to Pembrokeshire”
Attraction

“We hope to benefit from the Year of the Sea”
Activity operator

“We’re expecting to have more visitors in the area due to it being the Year of the Sea”
Attraction

Brexit remains an unknown

10.5 The UK voted to leave the European Union in June 2016. The full effects of Brexit are yet to be seen, as negotiations between the UK and the EU continue. Not knowing what impact – and the extent of that impact – Brexit will have on the tourism industry in Wales continues to leave some operators without the confidence they might otherwise have had.

“If they could sort Brexit out that would be great. No one knows what’s going to happen.”
Attraction

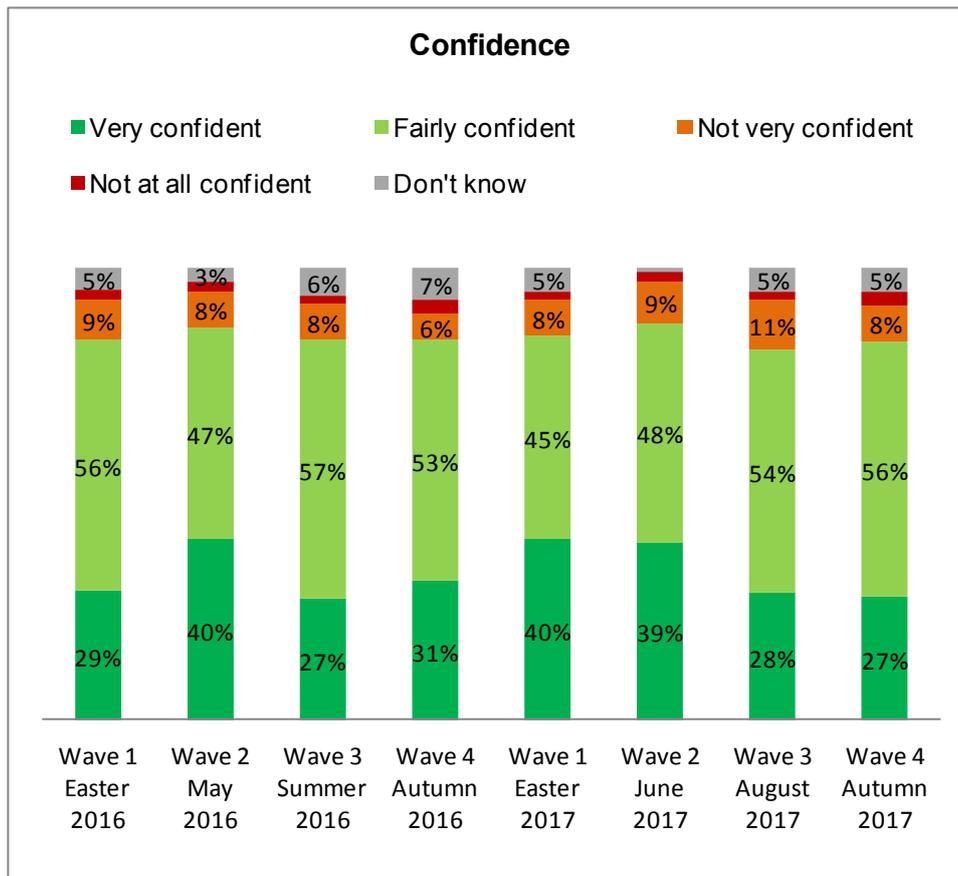
“It all depends on Brexit. It’s a major topic of conversation among our guests. No one knows what’s going to happen.”
Serviced accommodation

“Everything is so up in the air because of Brexit. No one knows what’s going to happen.”
Self catering

South West shows highest confidence

10.6 A higher proportion (32%) of operators in the South West of Wales say they are ‘very confident’, compared to other regions.

CONFIDENCE TREND



Confidence remains high

10.7 It is encouraging to see that confidence levels are remaining positive going into 2018. For the past two years, confidence has been consistently good, with the minority lacking the positive outlook others in the industry have.