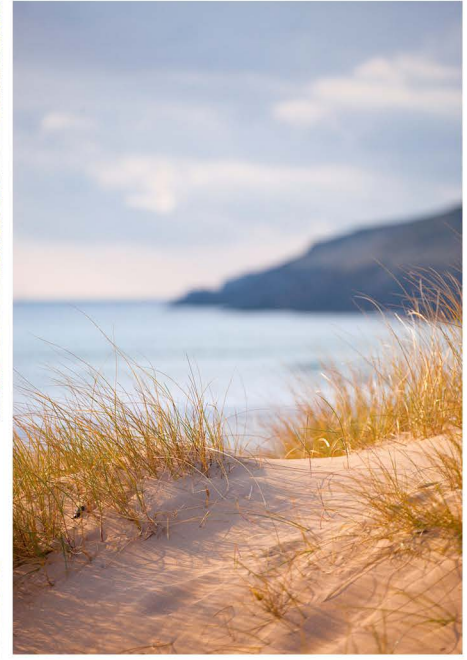
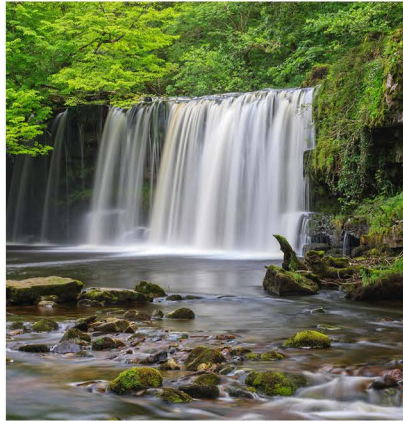
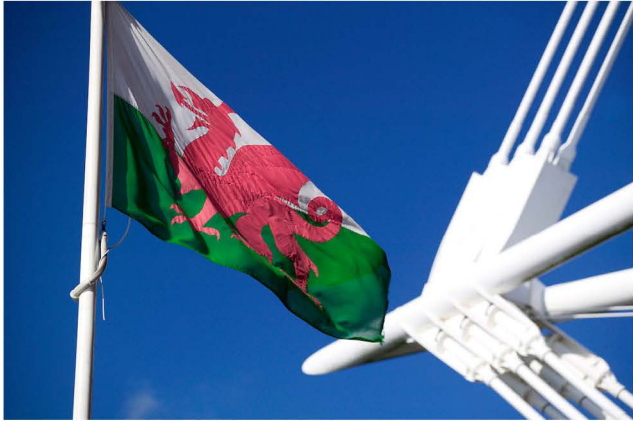


Wales Tourism Business Barometer 2023

February Wave Report



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Wales Tourism Business Barometer 2023: February Wave Report

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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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Contents

1. Headline Findings	2
2. Background and Methodology	4
3. 2022 Performance	5
4. Expectations and Bookings for 2023.....	9
5. Effects of Current Economic Challenges	13
6. Sustainability.....	21

1. **Headline Findings**

2022 visitor volumes up on 2021 but still down compared to pre-Covid

- 1.1 43% of businesses had more customers in 2022 than in 2021, and a further third (33%) had the same level. About a quarter (24%) had fewer.
- 1.2 However, on balance the industry has still not recovered to pre-pandemic levels. About one in five (21%) had more customers in 2022 compared to the pre-Covid norm, and 43% had the same level. 36% were down.
- 1.3 Caravan parks remain the only sector so far to have regained pre-pandemic visitor levels, with 35% of businesses up vs 14% down.
- 1.4 The activity provider sector in contrast is still well short of pre-Covid levels, with 10% of businesses up vs 44% down. Activity providers are also the only sector to be down on balance compared to 2021. The cost of living seems to be hampering their customer levels.
- 1.5 2023 is a difficult year to predict because there is a trend towards last minute bookings as consumers wait and see what they can afford during these times of high cost of living.

Economic challenges are hampering investment

- 1.6 37% say the current economic situation is affecting their ability to employ staff, 31% say it is affecting investment in the product and 28% are spending less on marketing.
- 1.7 23% say they expect to make enough profit this year to invest substantially in the business if they choose to. However, 57% do not expect to make enough profit to do that, and 20% don't know what to expect.

Some impact on business opening

- 1.8 11% say that the economic situation means they can't open as much as they would ideally like to. The main outcome is closing during lengthy quieter periods (especially winter) and the reason is that there aren't enough customers to cover the high operating costs during those times, especially energy bills.

Lots of action on sustainability

- 1.9 Most (81%) businesses are taking some form of action to operate more sustainably. The most common actions are 'reducing material waste / more recyclable materials' (39%), reducing energy consumption (38%) and 'seeking sustainable energy sources' (26%).

Some confidence this year in spite of economic challenges and slow bookings

1.10 17% of operators are 'very confident' about running their business profitably this year, and a further 50% are 'fairly confident'. High operating costs are a significant concern and businesses need bookings in large volumes during the summer especially to make up for the quieter times of year. On balance, operators expect that will happen, albeit last minute.

2. Background and Methodology

What is the Wales Tourism Business Barometer?

2.1 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. This wave looks back at 2022 and covers the year ahead. Hot topics this time include operating sustainably and the effects of the current economic situation on profitability, investment and remaining open.

How was the Survey conducted?

2.2 We have conducted 900 interviews by telephone. The results of questions asked to everyone are accurate to $\pm 3.3\%$. The balance of the sample by region and sector broadly reflects the industry in Wales.

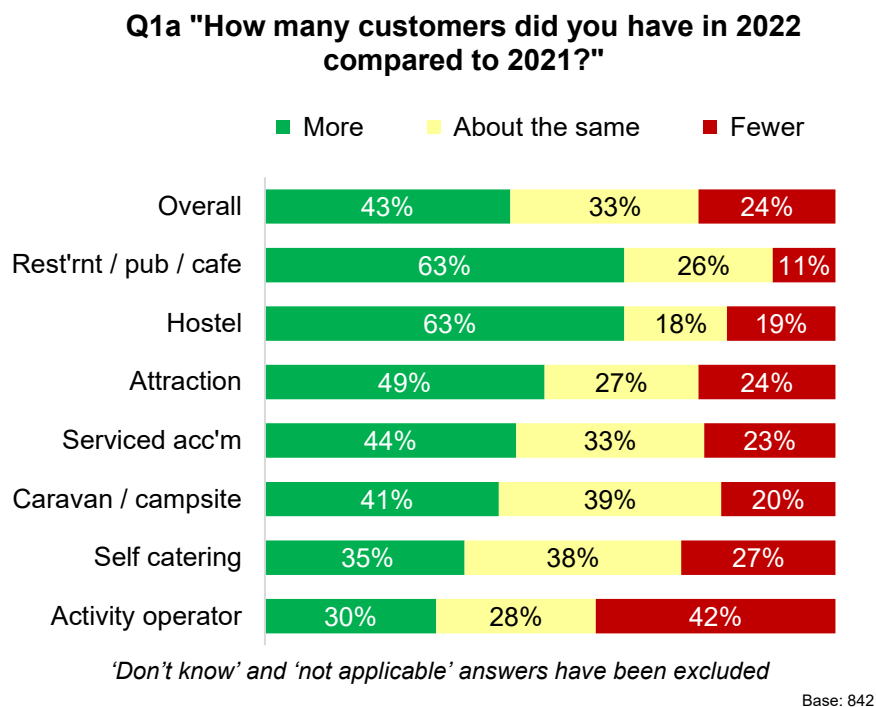
Sector / Region	North	Mid	South West	South East	Total
Serviced accommodation	124	42	75	61	302
Self-catering	86	52	81	42	261
Caravan / campsites	49	21	23	9	102
Hostels	8	9	5	5	27
Attractions	26	16	18	22	82
Activity operators	16	10	13	8	47
Restaurants / pubs / cafes	16	26	18	19	79
Total	325	176	233	166	900

2.3 56% of businesses in the sample are graded by Visit Wales. The graded and non-graded samples are spread across the different regions and sectors except restaurants / pubs / cafes, where grading is not applicable.

2.4 All telephone interviews have been conducted with business owners or managers between 6th and 22nd February.

3. 2022 Performance

Compared to 2021 – by sector



Nearly all sectors up on 2021

3.1 The proportion of businesses having a better year in 2022 outweighs the proportion being quieter in nearly every sector. If businesses were down in 2022 vs 2021, it is sometimes because 2021 was so busy for them in the bounce-back after Covid lockdowns.

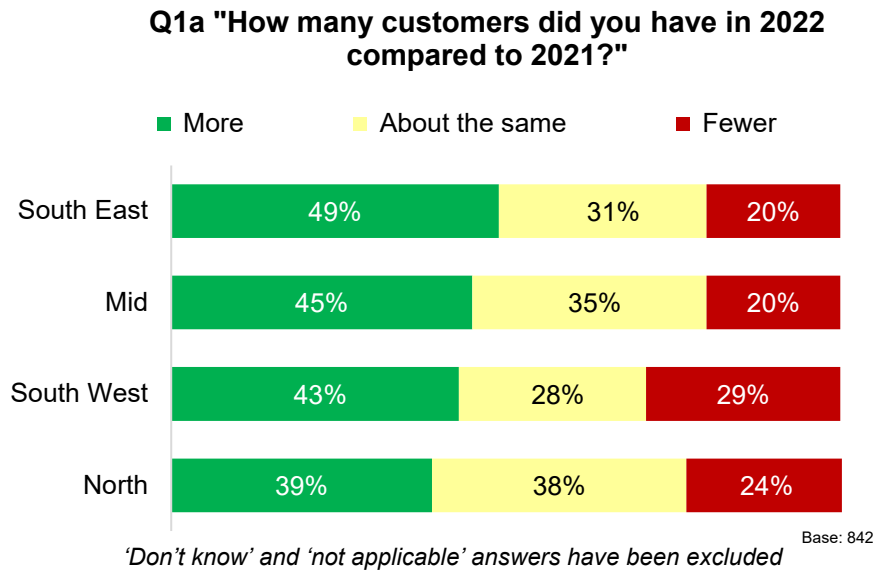
"2021 was manic. I have never seen anything like it."
Serviced, North

3.2 Hostels and restaurants / pubs / cafés performed particularly well in 2022 compared to 2021, but this is partly because they were still in the early stages of post-lockdown recovery in 2021.

"I think it's been a tough two to three years to be honest"
Hostel, Mid

"I think because of the changes we've made as a company, it was awful during lockdown, but now because of the changes and choices we've made, it will work out well."
Hostel, South West

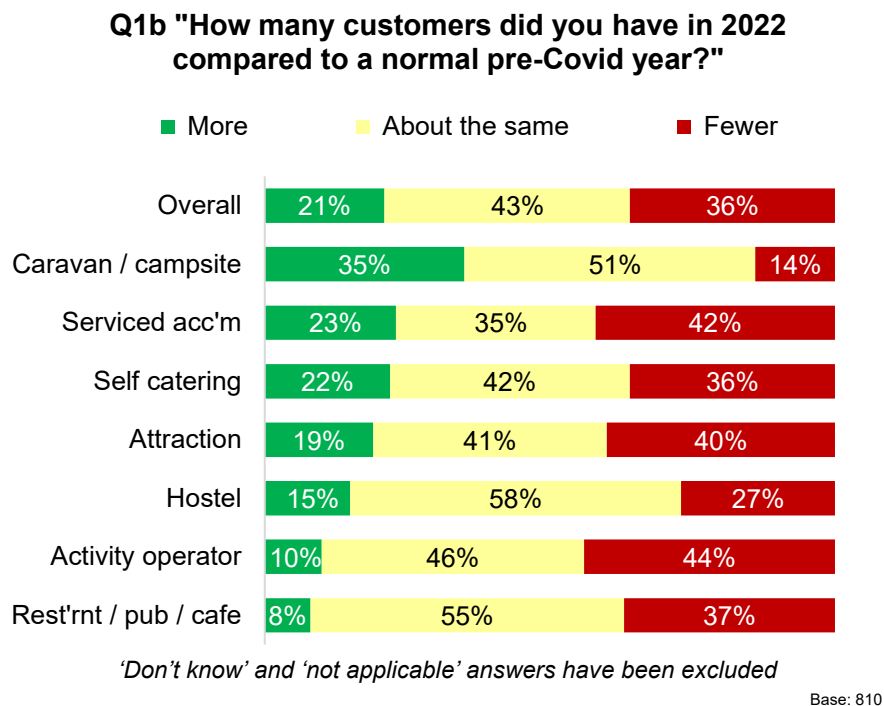
Compared to 2021 – by region



All four regions performed better in 2022 than 2021

3.3 The upturn in tourism last year was seen across all four regions of Wales, with no region standing out as performing particularly better or worse than the others.

Compared to a normal pre-Covid year – by sector



Only caravan parks have reached pre-Covid norms

3.4 As we saw in the previous barometer wave (post-summer 2022), only caravan parks have so far managed to return to pre-Covid levels. All other sectors are still striving to get back to where they were.

3.5 Some caravan park operators say that their upturn looks set to continue this year.

“We are doing better after Covid. I think many bought caravans and campervans during the pandemic and because of the cost of living crisis are choosing to stay home for a cheaper holiday. They also want to get use out of the new caravans or campervans they have bought.”

Caravan park, North

“We have more places for touring caravans now as demand is very high. Since reopening after Covid, we have gone from 0 to 100 in no time.”

Caravan park, North

Hard times for activity operators

3.6 The activity operator sector is still well down on pre-Covid norms and it is also the only sector to be down on 2021. The cost of living seems to be affecting their customer numbers significantly, and this comes on top of operational challenges such as a lack of instructors since Covid and insurance costs.

“The cost of living crisis is affecting us massively. We've seen a decrease in numbers of customers. Before it wasn't a thought for our customers but now they are worried they can't afford things.”

Activity operator, North

“Trekking is getting more and more expensive because of the insurance for the horses”

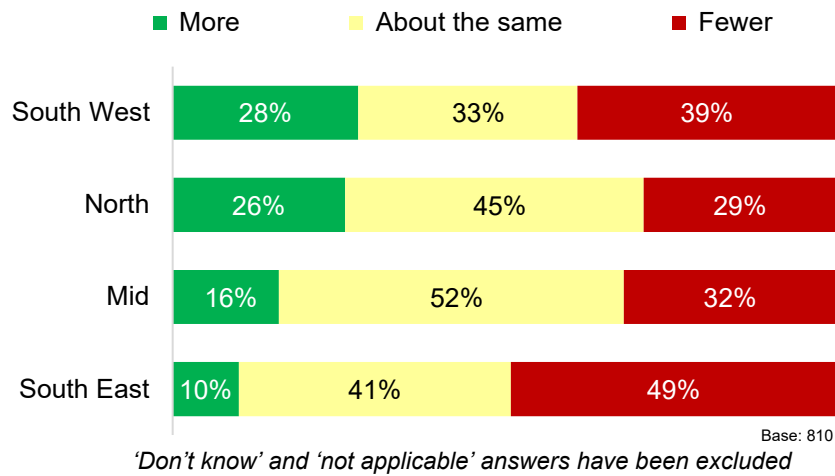
Activity operator, South East

“The industry post-Covid left us with no instructors”

Activity operator, South West

Compared to a normal pre-Covid year – by region

Q1b "How many customers did you have in 2022 compared to a normal pre-Covid year?"



Much regional variation

- 3.7 All regions of Wales are still striving to get back on terms with pre-Covid customer levels. Businesses in South East Wales seem to be finding this particularly hard.

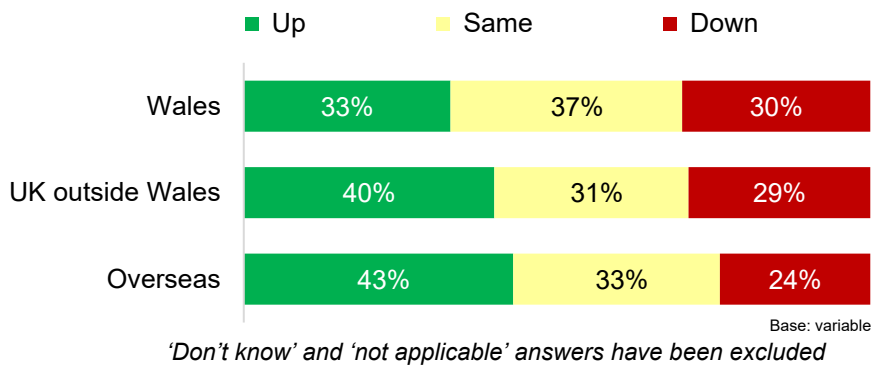
"In the last two years we have been 30% down on customer numbers before the pandemic. It is very quiet in Cardiff Bay for footfall. We are just not seeing the overseas visitors we used to and a lot of local visitors are going abroad."

Attraction, South East

4. Expectations and Bookings for 2023

Expectations by market

Q2 "Do you expect the number of customers this year from ... to be up, down or the same as in 2022?"



Reasonably optimistic outlook on customer levels

4.1 Open comments show that there are many reasons to be uncertain at the moment regarding rising costs and their impact on bottom line profitability. We cover this later in Section 5. However, as far as the top line is concerned, customer levels are expected to be healthy this year, albeit many of the bookings may come in last minute as consumers wait to see what they can afford.

"Bookings are trickling in but are much slower than last year. I think there will be a flurry of late bookings as people wait to see whether they holiday here or abroad."
Serviced, North

"I think that it is going to be the same pattern as last year: people booking much closer to the time"
Caravan park, North

4.2 Visitor levels from outside Wales in particular are expected to be up on last year. Some operators hope that lack of disposable income during these challenging times might mean some UK holidaymakers come to Wales instead of going abroad.

"I think that the recession may be good for us as fewer people will go abroad"
Caravan park, North

"I'm just hoping that UK people will prioritise travel to Wales rather than overseas for their holidays"
Self catering, Mid

4.3 Overseas visitor levels to Wales have not recovered from the pandemic but there is some optimism that this market is moving in the right direction.

“I have noticed that we are getting more bookings from overseas this year. It seems that they are coming back.”
Serviced, North

Not everyone shares the optimism

4.4 As the increased cost of living continues to bite, some operators cannot see their performance matching last year.

“We are having more cancellations now and bookings are for much smaller groups. Many customers are not wanting to pay deposits because of energy prices.”
Activity operator, Mid

“We have noticed our family customers have changed from all the family taking part in the activity to just the children. They will wait in the car or just watch and I think this is because they are trying to save money.”
Activity operator, South East

Differences by sector

4.5 Operators in the restaurant / pub / café sector are particularly optimistic about every market this year compared to last year. 63% expect to be up on visitors from Wales, 47% expect to be up on UK outside Wales and 54% expect to be up on overseas.

“We are hopeful for the year. We think that because people are holding on to their money more this year, we will see them holidaying at home a lot more.”
Restaurant, Mid

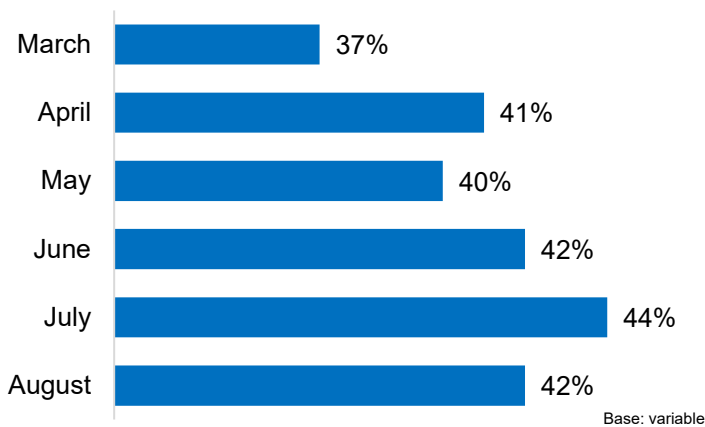
Differences by region

4.6 Mid Wales is the most optimistic region in terms of expected performance vs 2022. 40% expect to be up on visitors from Wales, 51% expect to be up on UK outside Wales and 43% expect to be up on overseas.

“We are feeling positive. There seem to be more tourists in the village this year.”
Pub, Mid

Advance bookings (accommodation operators)

Q3 "Looking ahead, about how much of your available capacity is booked for ... ?"
(av. occupancy shown)



The average booked occupancy for each month is for businesses which are taking bookings for that month

Last minute booking trend makes predictions difficult

4.7 Currently there is a lot of spare capacity for the next six months, but the true performance is difficult to predict on the basis of advance bookings alone. Operators say that customers are booking more noticeably last minute as they wait to see what they can afford.

"I think we've been lucky as we have a lot of bookings for spring, so hopefully that continues into the summer but as yet, we haven't had much for July or August. I think that's due to people being more cautious about booking in advance in case their bills go up."

Self catering, South East

"It's obviously getting quieter with advance bookings. I think that there will be a lot of last minute bookings when people realise they are not as poor as they think and deserve a holiday."

Serviced, North

4.8 Of the advance bookings that have been made, there seems to be a trend towards shorter stays and weekends only.

"We are noticing more shorter stays rather than the full weeks and we have had no bookings for the school holidays yet. I think people are being more cautious."

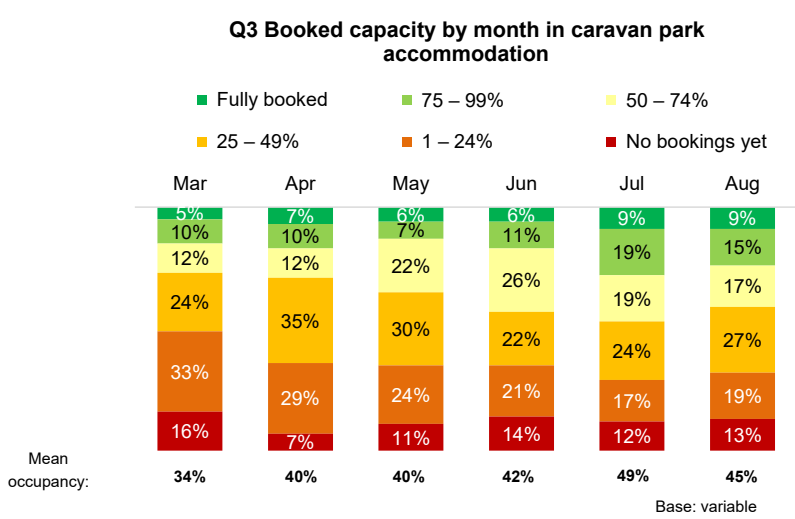
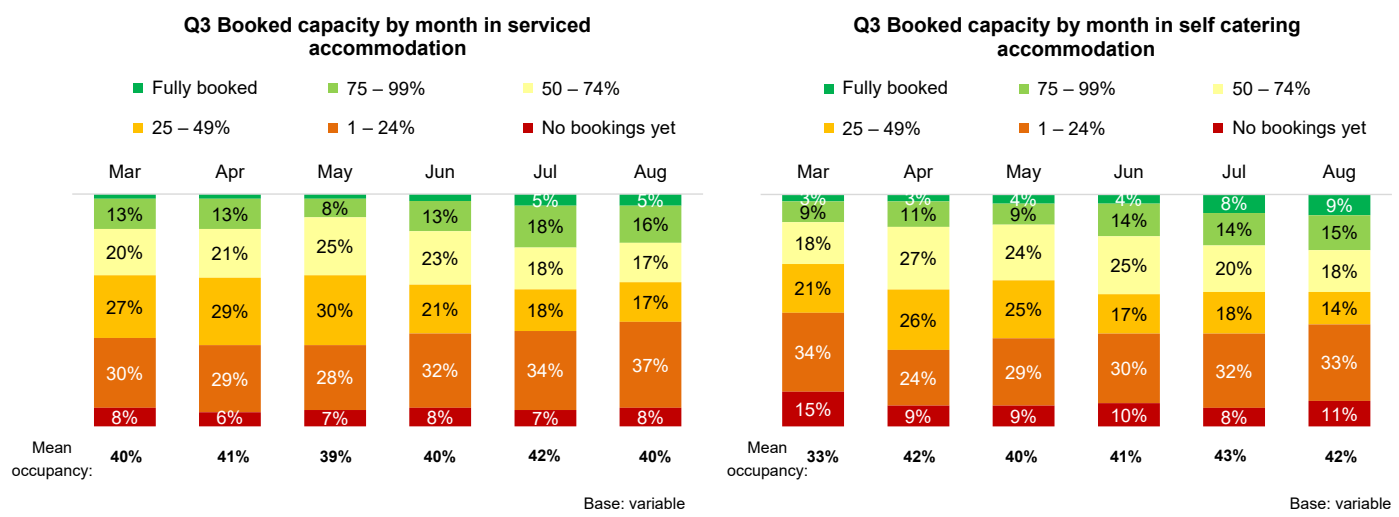
Self catering, North

"Our bookings are low but we are confident for this year. The trends we have noticed are that people want more short bookings these days (1 to 2 days or 3 days). They are also booking very late – around a week or even the day of arrival."

Self catering, South West

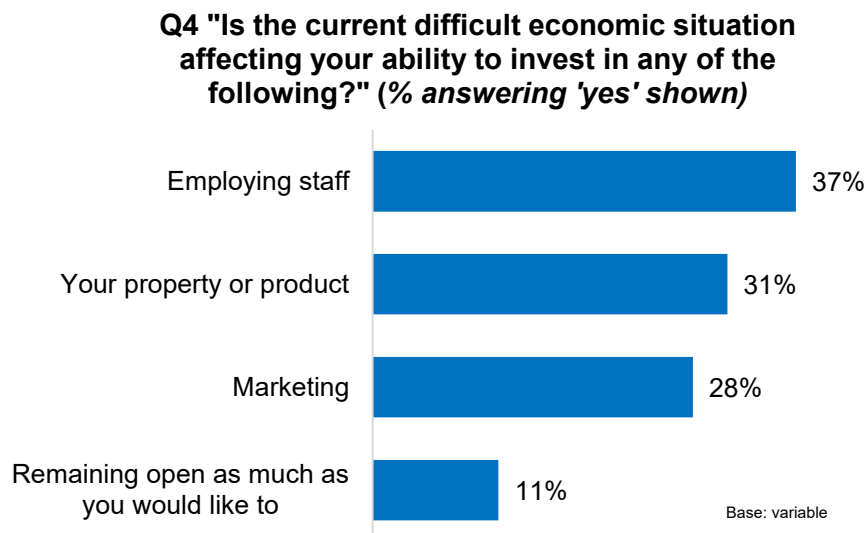
4.9 There is a reasonable level of consistency in advance bookings across the different accommodation sectors and regions of Wales. Detailed results by sector and month are shown below.

Advance bookings by sector



5. Effects of Current Economic Challenges

Effects on investment and opening



'Not applicable' answers have been excluded from the results

Several areas of investment being compromised

5.1 Profit margins have become too tight for many businesses to invest as they would ideally like to. Even if they can afford to invest, the economic uncertainty is causing many operators to play safe.

"Now that we have a very tight profit margin, we can't reinvest anymore, can't redecorate, can't fix things around the accommodation."

Self catering, South East

"We can't afford to advertise that at all ... because we can barely afford bills, let alone any marketing"

Self catering, South West

"We are not replacing one staff member who has left. We have reduced all advertising but we are keeping our opening hours the same."

Attraction, South West

"I used to pay £50 for a changeover [clean] but now cleaners are charging £120 and that is just for an 'in and out'"

Self catering, North

Differences by sector and region

5.2 Differences by sector and region are mostly not significant, but South West Wales is seeing noticeably reduced investment in marketing and staff:

- 37% of businesses in South West Wales are investing less in marketing (compared to 25% across the rest of Wales)
- 49% of businesses in South West Wales are investing less in employing staff (compared to 33% across the rest of Wales)

'We can't close as much as we want to'

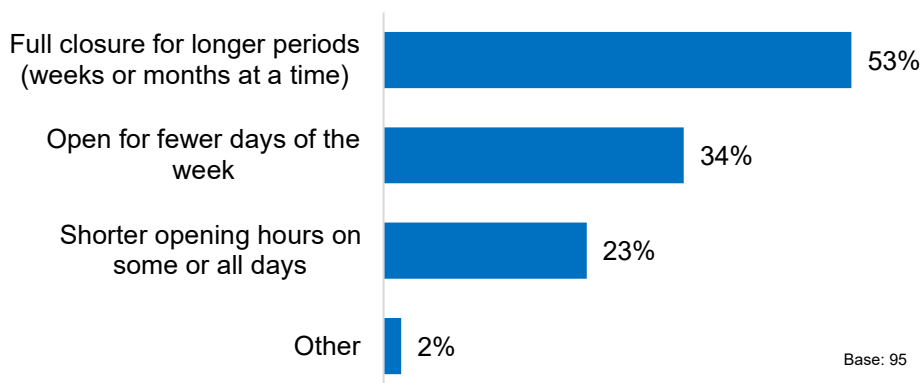
5.3 Whilst 11% of operators say they can't open as much as they would like to (discussed in more detail under the following questions), open comments show that many businesses, especially self catering, have the opposite problem: the proposed '182 day rule' to qualify for business rates means they can no longer close during uneconomical times. They feel stuck between saving costs during quieter times and remaining open to meet a difficult target and avoid paying a higher tax rate.

"I think the concern is the new change in business rates. It's worrying having to maintain the bookings to save on those rates."
Self catering, North

"The number of days going up [to qualify for business rates] is affecting us remaining profitable"
Self catering, South West

Impact on opening

Q5 (IF RESTRICTED OPENING) "How exactly are the times or periods you are open for business affected by the economic situation?"
(Prompt if necessary, tick all that apply)



Q5 has been asked to businesses not remaining open as much as they would like to (Q4)

Closures during quieter times

5.4 As seen in Q4, 11% of businesses are not remaining open as much as they would like to. This does not vary significantly by sector or region.

5.5 Those which are closing more often are typically picking the winter to do this because demand is lower and heating bills are higher.

“Going forward, because of the energy crisis, we are definitely closing from November – February”
Hostel, North

“We have stopped taking winter bookings due to the heating bills. Generally our costs have risen and we simply can't compete in the market with overseas offers.”
Self catering, South East

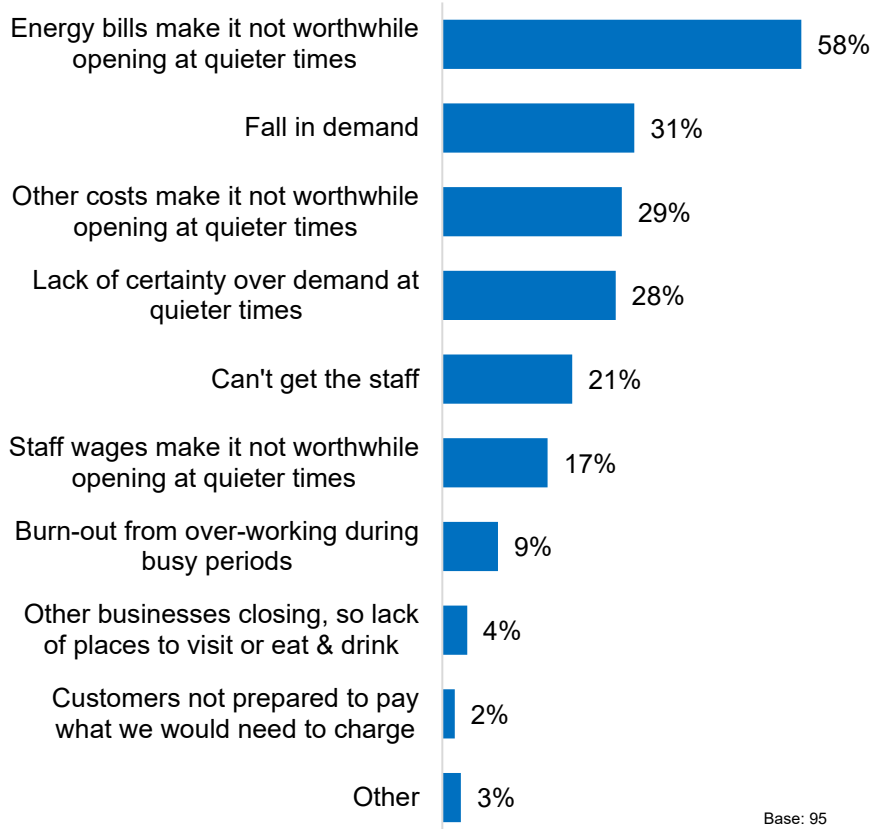
5.6 Other strategies include closing on quieter days of the week. Some say their closures are influenced by the closures of other businesses in the area.

“On Monday, Tuesday and Wednesday we have to close because there is nowhere open near us”
Serviced, Mid

Reasons for restricted opening

Q6 (IF RESTRICTED OPENING) "And why is the economic situation restricting your opening times or periods?"

(Prompt if necessary, tick all that apply)



Q6 has been asked to businesses not remaining open as much as they would like to (Q4)

Running costs and lack of demand at certain times

5.7 The main reason for closing in the quieter periods is that there aren't enough customers to cover the running costs – energy or otherwise.

"We didn't use to close in the winter but we have to now due to costs"
Serviced, North

"With everything [costs] going up, it didn't seem justifiable to stay open over the winter"
Caravan park, South East

Can't get the staff

5.8 A different kind of reason for closure is when businesses can't get the staff. Many positions are still hard to fill, including instructors, cleaners and chefs. Even when businesses do manage to recruit staff, they sometimes find the staff are not very willing to work as hard as they expect them to.

"Can't get any staff in the kitchen or the bar at the moment"
Restaurant, South East

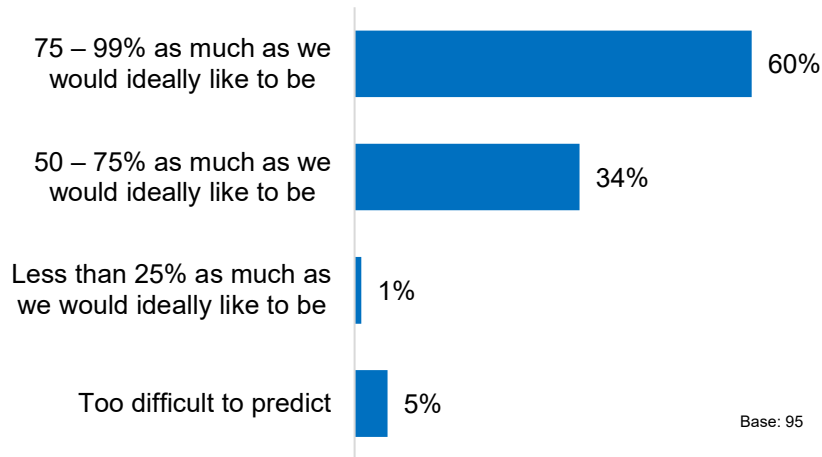
"I cannot find reliable staff anymore. They are always calling in sick."
Serviced, South West

"We are having difficulty employing all staff. We can't find skilled instructors or staff who will work outside normal hours. We are also having problems finding cleaning staff."
Activity operator, South East

"Getting staff is difficult. They prefer to be on their phones than work."
Serviced, North

Expected level of opening

Q7 (IF RESTRICTED OPENING) "Over the course of this year, how much do you expect to be open compared to how much you would ideally like to be open if it weren't for the economic challenges you've described?"



Q6 has been asked to businesses not remaining open as much as they would like to (Q4)

Variation in restricted opening levels

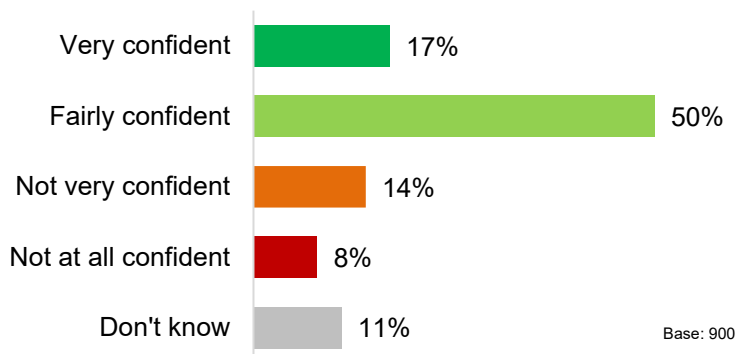
5.9 Many (60%) of those not opening as much as they would like to are operating at 75 – 99% of their desired opening hours / days, but others are hit harder and their closures are substantial.

5.10 At the extreme, some operators are seriously considering ceasing trading.

"We are planning to stop trading as we don't have any demand"
Serviced, South West

Confidence to operate profitably this year

Q8 "How confident do you feel about running the business profitably this year?"



Some level of confidence in spite of challenges

5.11 Two thirds (67%) of operators are confident about running their business profitably this year. In spite of rising costs putting profitability under pressure, many operators are hopeful that they will have enough customers, especially in the summer, to keep the business viable. Having a solid base of repeat customers helps a lot.

“We have a lot of loyal returning customers – all over a certain age, who are happy again to socialise after Covid – so looking positive for this year”
Serviced, North

“We are very confident for the year – we are already getting booked up. I think although the cost of living crisis is affecting people, our customer base is well established over 30 years and they are still able to afford trips.”
Activity operator, South West

“I think we should be in for a busy spring and summer period hopefully”
Activity operator, South West

Others are waiting anxiously for the bookings to come in

5.12 Operators know that consumers are challenged by the cost of living. This could mean that the bookings they need don't happen this year.

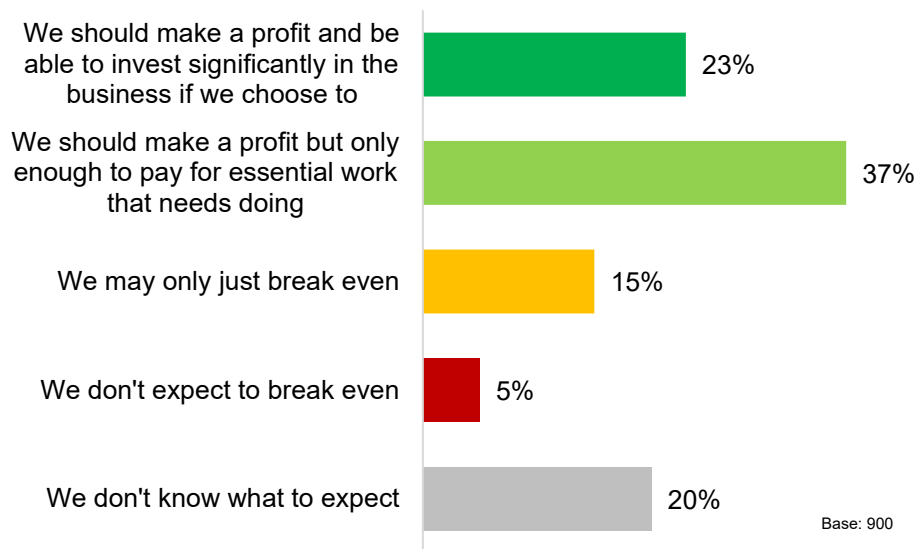
“We are just holding our breath. People have other things to pay for before they can think of booking holidays.”
Self catering, South East

Differences by sector and region

5.13 The highest proportions of operators saying they are 'very confident' are found among hostels (30%), caravan parks (25%) and serviced accommodation (20%). Differences by region are not significant.

Profit margins and investment

Q9 "Which of the following best describes how you expect your business to perform this year?"



Not enough profit to invest for most

5.14 Some (23%) operators are in the fortunate position of expecting to make enough profit this year to invest significantly in the business should they choose to.

"We are investing in a new toilet block and hope we make a profit"
Caravan park, South West

"It's always been our policy to invest all the money we make back into the business"
Self catering, Mid

5.15 Many however do not have that luxury, and their best outcome would be to make ends meet and cover essential work.

"Challenging times in general. Energy costs in particular have risen to a point of significantly damaging profit and the ability to invest."
Caravan park, North

"All resources have gone up in cost to the point of significantly reducing profitability from all directions. This means there is nothing there to try and grow the business."
Serviced, Mid

"I am working like a dog for no money"
Serviced, North

"If you're skint and smiling then at least you're happy"
Serviced, North

- 5.16 Many say that it is hard to predict profitability for this year at the current time because there are still too many unknowns. Will costs keep rising at the current rate? Will customers be able to afford to go on holiday? During uncertain times, many see investment as too risky.

“Change in behaviour of consumers makes for an incredibly unpredictable environment in terms of knowing how much profit is coming and when ... this uncertainty makes future investment too much of a risk”

Serviced, North

Change in business rates criteria could affect investment in self catering

- 5.17 Some self catering operators say that the ‘182 day rule’ could leave them with not enough money to invest in their business.

“The council tax 182 days is really restricting us because it’s very uncertain how much money we can invest due to the higher tax. We are waiting to see what the Welsh Government are doing.”

Self catering, Mid

“We worry about hitting those 26 weeks – the new legislation is going to really put me in a dire situation. The Welsh Government looks in practical terms but when you talk to the grass roots people who have to make a living, it just doesn’t add up. The remaining profit I have from my business won’t give me enough to live off. I’ll be glad to be out of it in a few years.”

Self catering, North

Differences by sector and region

- 5.18 The restaurant / pub / café sector stands out as being significantly more optimistic than the other sectors. About half (53%) say they expect to make enough profit this year to invest significantly in the business should they choose to. The optimism seems to stem from opening up to full capacity now that Covid restrictions are over.

“I think we’re doing well. Obviously everything being opened up has helped a lot”

Pub, North

“I think generally business is improving ... I think people will start going out more this year”

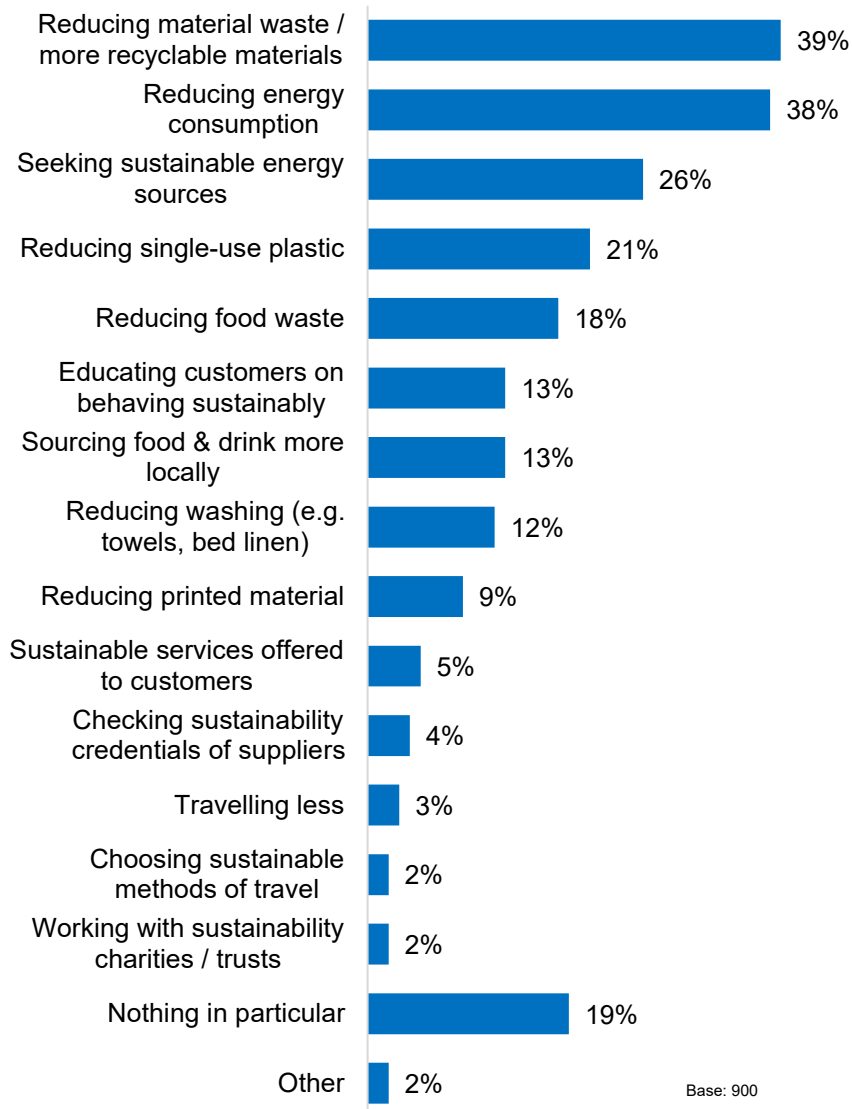
Pub, South West

- 5.19 Being able to invest significantly is also higher in Mid Wales (32% of businesses) and South East Wales (28%) compared to South West (18%) and North Wales (17%).

6. Sustainability

Operating sustainably

Q11 "What, if anything, is your business currently doing to operate more sustainably?"
(Unprompted, tick all that apply)



Many positive actions

6.1 Operating more sustainably is something that most businesses are taking seriously. There is a whole range of actions being taken, shown above. Only a minority (19%) say they are doing 'nothing in particular'.

"We make our own bread and have our own honey bees"
Serviced, South West

“We have installed solar panels as well as a biomass boiler”
Serviced, Mid

“We got rid of single-use plastic 8 years ago”
Attraction, North

“We are an organic farm and over the last 30 years we have developed a comprehensive recycling system and our guests learn about it too. We have compost bins and even compost toilets. We pride ourselves on our sustainability.”
Self catering, Mid

“We grow our own fruit and veg and have been planting trees but this year, we have been plagued by rabbits eating all the vegetables”
Serviced, Mid

Barriers to operating more sustainably

6.2 Some operators would like to introduce new measures but are halted by restrictions. The two most common ones are planning restrictions (e.g. for solar panels) and cost / lack of grants.

“We would like an electric point for the cars and solar panels but can't afford it at the moment”
Self catering, South West

“We would love to invest more sustainably but we just don't have the money for it”
Serviced, Mid

“We want to put solar panels in but the planning in our area doesn't allow”
Self catering, Mid

“Tried to go solar but the planning permission was refused”
Caravan park, North

Customers can also be a barrier

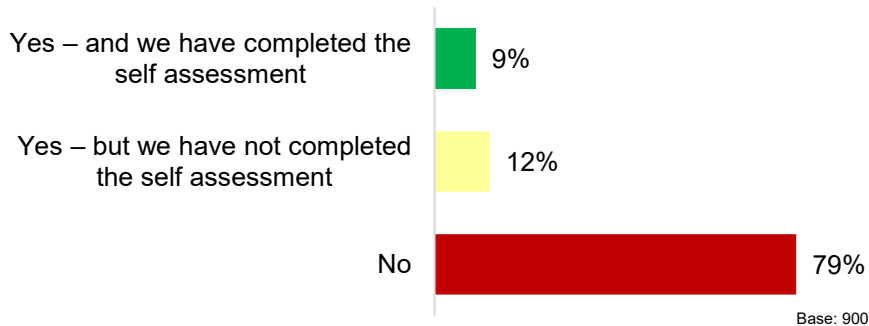
6.3 Some businesses try hard to educate their customers on behaving sustainably. What the business can achieve is limited by their co-operation. There is a tendency for some holidaymakers to be wasteful when they are in 'holiday mode'.

“People are putting on the heating really high and using a lot of electricity as they can feel at ease spending a holiday with a lot of heat as it's someone else's cost.”
Self catering, North

“People can be a nightmare and don't think that they should recycle on holiday”
Caravan park, South West

Awareness of the Business Wales Sustainable Toolkit

Q12 "Have you heard of the Business Wales Sustainable Toolkit?"

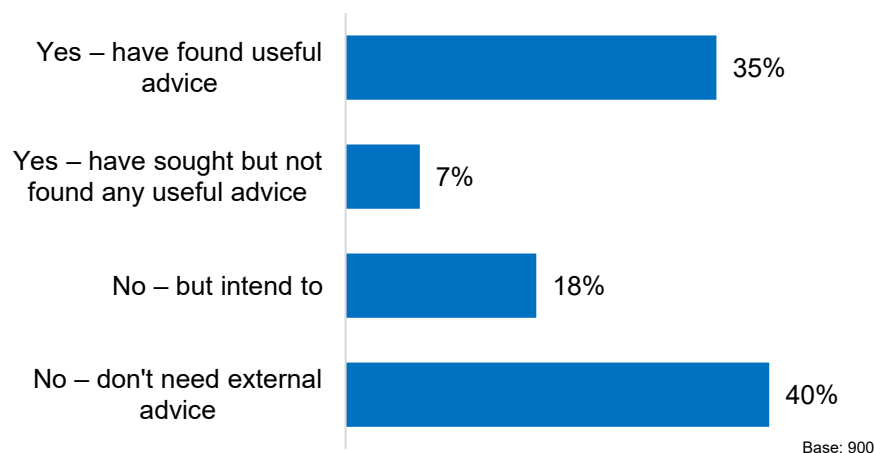


Further work needed to raise awareness

- 6.4 About one in five (21%) operators have heard of the Toolkit which is available from Business Wales to help them become more sustainable. Some have completed the self assessment. There is scope for further work to raise awareness of the Toolkit.
- 6.5 Answers do not vary significantly by sector, but they do by region. Awareness is higher in South East (32%) and Mid Wales (28%) compared to South West (18%) and North Wales (16%).

Seeking external advice

Q13 "Have you sought any external advice on how to operate more sustainably?"



Mixed views and actions on external advice

- 6.6 Some businesses have sought and found useful external advice on sustainability – especially attractions (51%). Others feel they don't need it – especially in South East Wales (54%).

6.7 The perceived usefulness of advice can depend on expectations around grants. If there is no grant to be found, sometimes the operator can feel negative about the advice.

"We went to Business Wales but they gave us no help as there are no grants available"

Self catering, Mid

6.8 But others are more positive about external involvement.

"I did my Carbon Zero report through Business Wales"

Serviced, North

"We are part of the David Bellamy Conservation Award Scheme"

Caravan park, North