
Economic Perspective 2

Whither Scotland's Tourist Industry?

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Introduction

Tourism spending in Scotland is estimated to have been worth £1.6 billion in 1988, the last year for which a full set of IPS¹ and NSTS² returns is available.

A quarter of the £1.6 billion is derived from overseas visitors to Scotland. The staple traffic remains domestic: 75% of the revenue and roughly nine out of every ten trips are generated by residents of England, Scotland and Wales. In both overseas and domestic markets, the dominant flow is for holiday purposes.

There is a rising tide of awareness that tourism spending is significant to the Scottish Economy. The Scottish Tourist Board (STB) estimate is that 130,000 full-time equivalent jobs stem directly from the £1.6 billion spend. In turn, this represents some 5% of Scotland's Gross Domestic Product which compares, say, with 4% for electronics and 3% for the food and drink industry.

The purpose of this paper is to review recent market trends: it concludes that a generally disappointing market performance during the 1984-88 period necessitates a more vigorous and concerted approach to the future marketing and development of Scottish tourism products.

Some Key Market Characteristics

Key market features of the overseas tourism market to Scotland are the reliance on North America and the dominance of Edinburgh.

North America accounts for roughly four out of every ten overseas tourism trips to Scotland (525,000 trips) and for approximately 10% of the

£1.6 billion total tourism turnover. Experience has shown this market segment to be a somewhat volatile one, but the returns from its successful cultivation are disproportionately high. The mean daily expenditure of a North American visitor to Britain is roughly twice that of his European counterpart. The STB's overseas promotional efforts have so far centred on the USA, with the building up of a SCOTS³ network of travel agents committed to selling Scottish tourist products direct to the American public.

Other important country sources are West Germany (114,000 trips), France (102,000) and Australia (100,000). However, irrespective of whether the tourists are North American, European or Australian, a strong pull is exerted by Edinburgh. The Capital plays overnight host to over half the overseas tourists visiting Scotland, and thousands more take it in as part of half- or full-day excursions. Edinburgh is the heart of Scotland's overseas tourist "milk run", so it comes as no surprise that the recently published Edinburgh Tourism Review⁴ highlights the importance of the international visitor, and the need for "highly professional and well targeted marketing". A new marketing bureau supported by the public and private sectors to the tune of £1.7 million is being established. Proposals in the Edinburgh Tourism Review include the discouragement of motor traffic in the city centre, the enhancement of the Castle as a visitor experience, and improved arrangements for training employees in the industry.

In terms of trips taken, domestic tourism divides more or less evenly between Scots (49%), on the one hand, and residents of England and Wales (51%), on the other. The prime geographical catchments addressed by STB's domestic advertising and promotion drive are "Northern England" (viz

Table 1 Volume of Scottish Tourism 1984-88

	1984	1985	1986	1987	1988	%change 1984-88
Total Domestic & Overseas Tourism in Scotland						
Trips (mills)	14.2	13.9	13.2	14.8	12.5	-11
Bednights (mills)	74.7	70.8	68.4	71.5	66.7	-11
Total Overseas Tourism in Scotland						
Bednights (mills)	12.0	13.7	12.8	13.4	14.0	+4
Total Domestic Tourism in Scotland						
Trips (mills)	13.1	12.6	11.9	13.4	11.0	-16
Bednights (mills)	62.7	57.1	55.6	58.1	52.7	-16
Expenditures (mills)	1,160.0	1,120.0	1,220.0	1,520.0	1,210.0	+4
All Domestic Holiday Tourism in Scotland inc. VFR* Holidays						
Trips (mills)	7.5	6.7	6.0	6.4	5.8	-23
Bednights (mills)	41.8	37.1	35.2	34.3	33.8	-19
Expenditure (mills)	638.0	608.0	637.0	804.0	719.0	+13
All Domestic Holidays Tourism in Scotland net of VFR Holidays						
Trips (mills)	4.3	4.1	3.6	3.8	3.8	-11
Bednights (mills)	26.7	24.8	20.1	21.3	22.3	-15
All Domestic Long Holiday Tourism (4+ nights) in Scotland net of VFR Long Holidays						
Trips (mills)	2.7	2.6	2.1	2.3	2.4	-9
Bednights (mills)	23.8	22.1	17.3	18.4	19.7	-15

* visiting friends and relatives

Source: NSTS/IPS

the regions of the North West, North East and Yorkshire: Humberside) and the "South" (ie London, the South East and East Anglia). The prime targets are GLAMS - family groups who are "greying, leisured, affluent, middle aged".

The revenues generated by the South of England regions are noteworthy. They are worth as much to Scotland as those accruing to overseas tourism traffic. Or, put another way, the affluent South generates two out of every ten tourism pounds currently being spent in Scotland. The competition is fierce, as exemplified by the massive and highly successful Center Parcs developments in the forests of Sherwood and Elveden, and will doubtless become even fiercer with the advent of the Channel Tunnel and Euro-Disney in the early 1990s. The vast bulk (81%) of English and Welsh visitors enter Scotland by road, and for holiday makers the proportion is even higher (85%). From a tourism point of view, the upgrading of the A74 to motorway status and the creation of a gateway visitor complex at Gretna are projects which are long overdue.

Two final aspects of the tourism market merit comment. The first is that tourist spending is truly national in its impact. Visitors typically move around the country and many are on multi-centre or touring holidays. Nowadays, there are few parts of the country without a discernible tourist influx. Indeed, a feature of the past decade has been the espousal of tourism by our great industrial cities, some of which are striving to attract tourists with the same vigour as seaside places did in the Victorian and Edwardian eras. Glasgow with its hugely successful 1988 Garden Festival and its theme of urban renaissance through tourism, and Dundee, with its Discovery and its potential to exploit storylines related to jute, jam and journalism, are two of the most obvious success stories. They exemplify how tourism can act as a prime agent of urban renewal.

Secondly, over three quarters of the £1.6 billion revenue total derives from outside the country. Spending by overseas, English and Welsh visitors represents an external injection of moneys as opposed to a geographical redistribution of spending power from one part of Scotland to another. With its associated multiplier effects,

this exogenous injection forms a real national wealth-creating force.

The Trends 1984-88

The perhaps unexpected message is that performance overall in terms of visitor numbers and spending in Scotland has been disappointing. As table 1 makes clear, the dominant trend has been downwards. While there has been a modest expansion in overseas visitors to Scotland between 1984-88 (+4% in tourist bednights), the combined international and domestic flow is 11% down. Moreover, the country's "staple" domestic tourism traffic has fallen by 16% in volume terms during the five-year period of this review. At 1984 price levels, this forms a significant reduction in the real value of tourism spending.

As far as the staple domestic market is concerned, the loss of volume and value is evident across business as well as leisure forms, with a pronounced fall evident in respect of holiday tourism. The latter fell in trip and bednight terms by -23% and -19% respectively between 1984-88. Holidays using the homes of friends and relatives account for much of this contraction. However, when this element is netted out - to leave holidays using commercial accommodation forms - the trend is still downward to the tune of -11% trips and -15% bednights. For serviced and self-catering providers of accommodation, these trend data suggest that individual operators must have had to work harder in the 1980s to sustain their guest numbers.

It must be emphasised that the loss of volume and value in domestic tourism is a GB/UK trend. There has been a progressive decline during the present decade in the demand for domestic long holidays of 4+ nights. Table 2 shows a cumulative GB loss of 7 million domestic long holiday trips during the 1980s. This occurred alongside a doubling of the market for abroad holidays.

Put another way, for every 1 long holiday taken abroad during the late 1960s in Great Britain, there were 6 spent domestically. By the mid-1980s, the ratio had become 1:1.7. While 51% of the population took a long holiday in Britain during 1975, the proportion in 1987 had fallen to 37%.

Table 2 GB Long Holiday Trips (4+ Nights) and Holidays Abroad, 1965-87

<u>Yearly Averages</u>	<u>Trips</u>	
	Home (mills)	Abroad (mills)
1965-69	30	5
1970-74	38	7
1975-79	38	9
1980-84	35	14
1985-87	31	18

Source: BTS

The drop in penetration from one-half to just over one-third in the domestic long holiday market reflects a trading out of British tourism products in favour of destinations overseas. A combination of "pull" and "push" factors have been at play. The sunshine and strong selling propositions which characterise the long holiday market abroad have been backed up by vigorous promotion and competitive pricing. A two week inclusive package in Britain can be bought for the same price as, say, two weeks in Greece.

The diminution of domestic volume implicit in the switch to holidays overseas has to some extent been compensated for by a rise in overseas tourism to Great Britain and the maintenance of high levels of domestic short-break holidays (1-3 nights). However, overseas tourism and short-breaks have together been insufficient to offset the decline in long holidays taken domestically. Moreover, the overseas and domestic short-break holiday segments are imperfect substitutes for domestic long holiday traffic: overseas tourism flows tend to vacillate and are heavily concentrated on London and a handful of favoured provincial localities. Short-breaks are just that - short (1-3 nights duration) - and are typically weekend and off-season based.

Commentary

The trend towards declining volume in the domestic

tourism market is disconcerting. To be sure, some comfort may be gained from the 1989 season. The current year saw a modest reversal of the trends described above. Good early summer weather boosted domestic holiday trips, and some tentative research indicators suggested that the seemingly remorseless rise in holiday-taking abroad was slowing down - and perhaps even bottoming out. Some commentators are even predicting that a combination of skin cancer fears, airport delays, and a trend towards less passive leisure forms will deal a body blow to the "sea, sun and sand" package tour formula. However, it would be foolish to read too much into one year's performance. Tourism demand trends are subject by and large only to gradual change, and it is the author's view that the continental holiday overseas is likely to prove enduringly popular, though new growth areas may well lie outside the sun-belt zones of the Costa Brava and Cote d'Azur. Since the abroad holiday habit is still biased strongly towards ABC1 social groupings, and is confined in any one year to just 30% of the adult population, there is clearly considerable scope for continuing expansion as continental trips become progressively diffused down the social scale.

Along with the rest of Great Britain, Scotland has therefore been losing popularity as a domestic holiday destination. If the country is fully to realise its rich and enormous tourism potential, then the problem of contracting domestic holiday markets needs to be addressed and tackled. Only then will the downward trend be reversed enabling Scotland fully to participate in a forecasted upsurge in European tourism. As far as the EEC is concerned: -

"All expert bodies indicate continuing growth of tourism movement of up to 5% a year, representing a massive long-term potential".⁶

Over the past decade, much progress has been made in Scotland. Accommodation standards have risen, and excellent grading schemes have been introduced for hotels, guesthouses, caravans and visitor attractions. Exciting new projects have been launched such as the industrial heritage scheme at New Lanark, the Scottish Deer Centre, and the £8.2 million Aonach Mor ski complex. There is much commitment and professionalism evident across the public, private and voluntary sectors of the industry. The profile of tourism has never been higher. However, good though all of this is, one

objurate fact remains: that the last five years have witnessed an 11% decline in tourism movement. How, then, is growth to be delivered?

First, there are numerous operational aspects which require further improvement. For the most part these "action areas" are well known and well researched. Dirty toilets, inadequate signposting, antiquated opening times, lack of direct air links, "underwhelming" visitor attractions, a poorly funded overseas promotional effort, unattractive conditions of pay and employment - to name but a few. In these and other areas we need to redouble our efforts.

Secondly, there is the question of attitudes. Scots are a friendly and hospitable people and are perceived as such by many visitors. However, these perceptions frequently are at odds with observed realities. The way we treat visitors and regard tourist industry occupations still leaves much to be desired, as does the "not in my backyard" stance which so often surfaces when a new tourism project is proposed.

Finally, there is the question of national tourism policy. The first ever annual report of the STB published nearly twenty years ago contained a chairman's foreword which referred to "the preparation of a Tourist Development Plan as being one of the first priorities of the new Scottish Tourist Board". Twenty years on and there is no plan, though the formation in 1988 of the Scottish Tourism Co-ordinating Groups on Tourism is perhaps a step forward in this direction.

Conclusion

Scotland's tourist industry is a major economic and social force, and is arguably the country's single most important post-industrial development prospect. As well as boosting trade, jobs and prosperity, it also helps localities to carve out new identities for themselves. This, in turn, is the catalyst for civic, business and community pride. As a nation we should take tourism more seriously and strive energetically to overcome the obstacles and reverse the depressingly flat market performance of late.

Notes & References

1. International Passenger Survey.
2. National Survey of Tourism in Scotland.
3. Specialist Counsellor on Travel to Scotland.
4. Edinburgh Tourism Initiative, Project Agreement, October 1989.
5. See: Insights, English Tourist Board, May 1989, pp2.9 - 2.20.
6. Lickorish, L J, "European Tourism 1990: the internal market", *Tourism Management*, June 1989, p 100.
7. Scottish Tourist Board, First Report, 1 October 1969 - 31 March 1970, the Board, 1970, p.5.
8. The Group is chaired by the Scottish Office Minister for tourism and brings together representatives of the British Tourist Authority, the Highlands and Islands Development Board, Scottish Development Agency, and the Scottish Tourist Board.