

## 1. Economic Context

- 1.1. Tourism is more important to the economy in Wales than to any other part of the UK, accounting for 4.9% of its economic output (the UK average tourism ratio is 3.7%). West Wales and the Valleys exhibit the highest tourism ratio at 5.7%.<sup>1</sup> Wales has some of the UK's most tourism-dependent local authorities, including: Anglesey, Gwynedd, Conwy & Denbighshire, Powys, and South-West Wales. Tourism's contribution to the wider Welsh economy is £6.9bn Gross Value Added (GVA) (13.9%) and it supports 206,000 FTE jobs (14.9%). In terms of GDP, tourism contributes £8.7bn (17.6%) and supports almost a quarter of a million FTE jobs.<sup>2</sup>
- 1.2. Tourism is a major export industry for Wales, with 80% of visitor expenditure coming from outside the country. For every £50,000 spent by visitors, one job is created.<sup>3</sup> It is Wales' second largest employer, outperforming all Welsh Government (WG) priority sectors, stimulating high employment growth, accounting for half of all 16-24-year olds and most women employed in these priority sectors.<sup>4</sup>
- 1.3. There is widespread acceptance that spending money on marketing delivers results.<sup>5</sup> The additional spend generated by Visit Wales' (VW) largely domestic 2015 campaign was £307m, creating 6140 additional jobs in Wales.<sup>6</sup> For every £1 spent by Visit Britain (VB) in international marketing, an overseas visitor spends £23 in Great Britain (GB) and in 2015-16 VB generated over £800m in additional visitor spend by overseas visitors.<sup>7</sup>

## 2. International Marketing of Wales

- 2.1. Wales' overseas market is a small but lucrative component of the Welsh tourism industry, accounting for 10% of visitors but 20% of spend. Future growth for the industry is likely to be driven by the overseas market, which has significant growth potential for Wales. Currently branding activity is moving in the right direction and has achieved recognition; however, this growth potential is only likely to be realised by enhanced funding. Resourcing needs to reflect the industry's current and potential contribution to the Welsh economy and Wales' position internationally, as well as its competitor context. Wales has long been much less well known internationally than its GB counterparts (e.g. Scotland and the English regions, including London).<sup>8</sup>

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<sup>1</sup> ONS, 2016. The Regional Value of Tourism in the UK, 2013, p. 3.

<sup>2</sup> Figures from Deloitte, 2013.

<sup>3</sup> Deloitte, 2013.

<sup>4</sup> Ken Skates 2015. Written statement on the economic benefits of tourism to Wales.

<sup>5</sup> NAW 2014, Enterprise and Business Committee, Tourism 2014.

<sup>6</sup> Ken Skates 2015. Written statement on the economic benefits of tourism to Wales.

<sup>7</sup> VB 2016 figures.

<sup>8</sup> Pritchard, A. & Morgan, N. 2001. Culture, identity and representation. Marketing Cymru or Wales? *Tourism Management*, 22 167-179; Morgan, N., Pritchard, A., & Hastings, E. 2012. Developing a New DMO Marketing framework: The Case of Visit Wales, *Journal of Vacation Marketing*. 18 (1) p.1-17.

This remains the case and in 2014 VB described Wales as ‘least well known internationally’ of the GB brands.<sup>9</sup> Low consumer, media and travel trade awareness of brand Wales, poor connectivity and an under-developed tour product have all been cited as barriers to promoting Wales in international markets.<sup>10</sup>

- 2.2. Wales’ position as an international destination has improved recently. In 2016 Wales’ market share of the overseas inbound market (£ millions) was 1.99%, worth some £443.86m, from 1,074,389 visits, almost reaching the 2% high of 2009. However, it was in the bottom two regions of GB, significantly behind competitor regions such as the SE, the NE, the NW and SW of England and Scotland (8.2% or £1,849,801). Only the NE of England recorded fewer overseas tourists than Wales. Significantly, London has seen its market share grow at the expense of other regions over recent years and now accounts for 75% of all international visitor spend, compared to 70% in 2002.<sup>11</sup>
- 2.3. Wales’ competitors are investing heavily to grow their visitor economies and destination brands from a stronger position. Scotland’s marketing spend in 2016 was £45.8m, whilst in England most destination management organisations (DMOs) are able to draw on wide-ranging funding sources to develop their market offer, placing Wales at a competitive disadvantage, despite the WG funding sources available to VW. For example, the Discover England Fund is a £40m initiative (2016-2019), funded by the Westminster Government to: enhance the appeal of the English Regions to the overseas market; spread the growth out of London; grow their individual market shares. It specifically requires VB/VE to work closely together to drive the development of experiential regional packages to achieve these outcomes.
- 2.4. This compliments other initiatives such as the South West Tourism Growth Fund, which in 2015 provided £7.2m to promote SW England overseas and to develop integrated products and experiences. The Northern Tourism Growth Fund (£20m) was similarly aimed at the Northern ‘powerhouse’ English Regions. VB/Visit Scotland are partners in the Great Inverness Loch Ness Fund (£2m), which aims to deliver almost 32,000 additional visitors, 400 jobs and £21.6m in additional spending over 2017-2021. Moreover, many GB cities have well-funded marketing organisations determined to grow international visitors such as Edinburgh, Glasgow (£6m, 2015), Manchester (£5.4m turnover, 2015/16), Liverpool (£1.3m income, 2016) and of course London (£18.5m, 2016).
- 2.5. The Wales international marketing budget for 2017 is £2.05m. Regional DMOs such as Go North Wales are essentially privately funded whilst local authority budgets are fragmented, decreasing and largely focused on marketing their individual authority areas – strategies that do little to promote the overarching Welsh regional brands. Cardiff lacks the equivalent marketing partnerships seen in its competitor cities and although it attracted 357,000 visitors in 2016 (placing it 10<sup>th</sup> amongst UK cities), this was 1000 down on 2015. Bristol, its closest geographical competitor attracted 570,000.<sup>12</sup> Taken together, these factors adversely impact on Wales’ ability to attract overseas visitors from London.

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<sup>9</sup> Welsh Affairs Committee 2014/15, p.17.

<sup>10</sup> Welsh Affairs Committee 2014/15, p.17.

<sup>11</sup> VE 2016. Discover England Summary Insights.

<sup>12</sup> ONS Travel Trends.

### 3. Effectiveness of the International Marketing of Wales

- 3.1. The international marketplace is hugely challenging. Wales is competing with powerful, well-resourced destination/place brands. Destination marketing: increases brand awareness; enhances images and perceptions; increases visitation; and drives visitor spending. For each US\$1 spent in destination marketing US\$38 is generated in visitor spending across international markets.<sup>13</sup> Governments with larger tourism promotion budgets typically enjoy higher levels of international tourism spending.<sup>14</sup>
- 3.2. The relationship between VW and VB is an essential determinant of the effectiveness of Wales' overseas marketing. VB have a proven track record in overseas marketing and they are being instructed by DCMS to move away from a strategy of London 'first' to one of London Plus, with significant funds being allocated to enhance the English regional offering. Without similar joint funding initiatives, it is difficult to see how Wales will significantly grow its 2% market share.
- 3.3. VB and VW have agreed a Memorandum of Understanding. It is difficult to assess how effectively this is working, particularly as my previous evidence to the WAC and the Senedd documented how the executions of the GREAT campaign seemed to work better for other GB regions/countries.<sup>15</sup> It is vital that VW leverages VB activity, which during 2011-2014 generated 60,000 individual pieces of TV, radio, print and online coverage, the advertising equivalent of £6.9bn.<sup>16</sup>

Table 1: Welsh Presence on VB Shop

Sector	Wales	Scotland	England (excl. London)
Travel & Transport	1	5	9
Attractions	13	10	60
Sightseeing Passes	2	4	6
Trips & Tours	8	18	40
Total	24	37	115

- 3.4. The extent to which the Welsh brand is embedded in VB content is questionable as article content barely features Wales (e.g. *Get Inspired – See Our Articles*). Indicators of success in this area may include the numbers/upweighting of Welsh products in the VB online shop (table 1). There is some evidence of improvement here, predominantly in terms of 'attractions' available to purchase, boosted particularly by the recent addition of five Zipworld attractions. Surprisingly, given Wales has packaged 2017 as 'Year of Legends' and castles are an area of product strength, only two are featured (Cardiff and Castell Coch). The World Heritage Castles of North Wales do not feature on the VB shop, neither does the Cadw Explorer Pass, even though its equivalent Historic Scotland does.
- 3.5. In travel and transport, Wales only features on the GB BritRail Pass. Visitors can purchase a BritRail South West Pass to Devon and Cornwall and several Scottish Rail Passes and MBritRail Passes are

<sup>13</sup> Destination Marketing Association International, 2014.

<sup>14</sup> Morgan, N., Pritchard, A., & Hastings, E. 2012. Developing a New DMO Marketing framework: The Case of Visit Wales, *Journal of Vacation Marketing*. 18 (1) p.1-17.

<sup>15</sup> NAW 2014, Enterprise and Business Committee, Tourism 2014 and Welsh Affairs Committee 2014/15, p.17

<sup>16</sup> VB Marketing Highlights 2011-2014, p. 26.

being developed for England. There is currently no Welsh equivalent. There is an Explore Wales Pass offered by Arriva but this does not feature on any VW/VB online platform and can only be bought at a staffed railway station, not online, by telephone or on a train. It is only for travel in Wales with no key gateway connections to London or Manchester. Since rail is ‘the preferred means of transport for international visitors... between London and other destinations in Britain’<sup>17</sup> and visitors have a 2-3-hour travel time tolerance, this is a key barrier for international visitors to Wales.

3.6. Other content in this transport section includes steam railways (e.g. Ravenglass & Eskdale Steam Railway Cream Tea) and marine cruising (e.g. Ullswater Steam Cruise) but nothing from Wales. Wales’ under-representation under ‘trips and tours’ remains and reflects its underdeveloped tour package component and lack of major transport providers (such as Rabbits of Scotland).

## 4. What Might be Done in the Future?

4.1. More funding is needed to enable Wales to compete effectively and realise its potential on the international stage. A fund like the Discover England initiative could be used to develop experiential regional packages, crucial to entice overseas visitors out of London. These could lead to partnerships delivered by VW/VB/DMOs, specifically tied to increased visitor numbers, spending and job creation targets. Funding should be sufficiently flexible to take advantage of market opportunities, even if they are outside key markets (e.g. to market North Wales in Japan in the wake of strong brand recognition in 2017).

4.2. Overseas visitors have a very poor understanding of UK geography outside London and awareness of Wales is even lower. Research shows that visitors are unable to imagine the types of holidays available to them outside of London and itineraries and London Plus packages are important in facilitating visits when visitor knowledge is low.<sup>18</sup> Wales needs to work even harder than other GB competitor regions/countries because of its low awareness and that will require increased funding and product/package tour itinerary development.

4.3. Wales is well placed to grow experiential, immersive, authentic, adventurous travel in contrast to London’s ‘box-ticking’, sightseeing appeal. Greater resourcing of targeted development of marketing and product development will enhance its ability to grow this market. The Wales Tourism Alliance (WTA) has called for greater investment in the industry – a doubling of the £10m capital investment support and similarly enhanced marketing funding. In a post-Brexit Wales, this level of funding is vital if Wales is to fulfil its true potential as an international tourist destination.

4.4. Wales’ overseas offices could play a role in building the Welsh brand overseas and in key VW markets. However, with information about their current activities hard to obtain, it is likely that this role remains under-developed and invites the conclusion that, whilst their remit does include promoting Wales as a tourist destination, this lacks clarity and targeted delivery.

4.5. The visitor economy is vital to the growth of the Welsh economy and to the wellbeing of its communities. Investment in tourism brings multiple benefits: it employs more young people and women than other priority sectors; it drives entrepreneurship; it is a labour-intensive industry not

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<sup>17</sup> VB 2014, Submission to Office of Rail Regulation.

<sup>18</sup> VE 2016. Discover England Summary Insights.

substitutable by automation; it is delivered locally and underpins its rural economy, more than agriculture. Tourism delivers high-quality facilities, which are key to delivering a successful business environment, the overall Wales brand and residents' quality-of-life. A vibrant tourism industry supports Wales' ability to develop its other priority sectors as it enhances the public realm, delivers high-quality offerings valued by investors and thus has a key role in attracting wider investment and building resilient communities.<sup>19</sup>

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<sup>19</sup> Scottish Enterprise 2015. Productivity and Tourism.