

## **HISTORIC SCOTLAND BOARD MEETING 26 OCTOBER**

### **1. Purpose of Paper**

This paper is to report to the Board the new pricing regime for 2007. These prices need to be set now so that we can commission print and other advertising information for the season, particularly for the travel trade which represents a significant element of our business.

The Board is asked to note the 2007 admission prices.

### **2. Current Position: Admissions Income 2006**

#### 2.1 Income

Currently admission income is £417,000 ahead of last year but £437,000 behind budget and £273,000 behind our reforecast. A new way of profiling was introduced this year which may be distorting the comparison on last year. Income in August and September seems to be supporting this theory. If the profiling is loaded toward the start of the season we will see the deficit reducing towards the end of the financial year. Our re-forecasted end of year figure is £10,600,000, only £150,000 behind budget.

#### 2.2 Progress in 2005/06

We have also changed the way we set targets at the sites and to a degree given them more autonomy on what they sell. This is our first year of doing this and it is working well particularly on 'added value products' such as memberships and Scottish Explorer Passes.

Work is also underway on how we might introduce 'revenue management' as a pricing strategy, a strategy currently working within some of the London attractions such as Tussauds and widely used in the hotel sector. A review of Admissions reporting and how we gather/analyse data is about to start.

The Admissions Team is operating on a temporary basis, until the future structure of the VSBD Team is resolved. Further down the line our aim is to produce a pricing policy and a five year pricing plan which will allow us to take a more strategic view of our long term income targets. Admissions have been given a much higher profile within VSBD and more frequent discussion and feedback will be sought both from our customer and colleagues.

#### 2.3 Challenges

Although our visitor numbers are up on last year by 8% at the end of September (2.4 million) this has not translated into as much additional income as anticipated. Site admissions are ahead of last year by 5% but behind target by 6% at £7,093,000 million. Sales of SEPs and Memberships have been performing more strongly and are currently 30% ahead of last year and 7% ahead of budget at £1,027,000.

We are now counting more visitor categories and activities which do not necessarily bring in admissions income, such as the extremely successful free weekend. Because of the way we report our figures increased sales of membership, Explorer Passes and Voucher business may

also be skewing the figures. One of our other main concerns is the decline in visitors at Stirling Castle. We have some concerns about our Band 6 properties: Urquhart, Skara Brae and Fort George, which may be experiencing some price sensitivity and for the time being have reached a ceiling in terms of a 'value for money'.

### **3. Assumptions for 2007**

#### **3.1 Edinburgh Castle**

A report produced for us by Tim Baker (Baker Richards Consulting Ltd.) shows that to date, Edinburgh Castle does not appear to have 'price inelasticity'. This simply means that because of Edinburgh Castle unique iconic status, increased admission prices within reason, does not have an effect on visitor numbers. The visitor profile obviously helps this, with the majority of visitors coming from overseas. Increased prices will eventually have a detrimental effect on the local market which we aim to counter with various promotions. The Edinburgh Council free admission was extremely popular with over 1,049 family redemptions which will be repeated this year.

There is no reason to presume that increasing the price, in line with our current strategy, will have a detrimental effect on visitor numbers. However this is a delicate balancing act to ensure we do not cross the 'fair price' line. The recent study also stressed the importance of communicating the key attractions within the castle both in advance and on-site. If visitors don't know what they are going to see, they won't pay the admissions price.

Our plan will be to continue to market Edinburgh as *the* must see attraction in Scotland and aim towards achieving a published admissions price of £15. From this point we can consider promotional offers and enhanced trade discounts. It is also worth remembering that the Castle continues to be the most visited attraction in Scotland but not the most expensive.

#### **3.2 Child Price**

Since 2004/05 we have increased our child prices in an attempt to bring them into line with the rest of the attractions sector. Prior to this we were well below the norm, and are still in some instances less than 50% of the adult admission price. Although we do not attract significant numbers of children, there is no evidence that price increases have had an impact on child visitor numbers. The main determining factor on whether to visit is still the adult price. The industry standard for child prices ranges from 50% to 80% of the adult price. Historic Royal Palaces have recently researched this and found that visitors perceive child prices as being 'fair', at 50% of the adult price. This makes for a very transparent policy both for our staff and visitors.

#### **3.3 50p 'Blanket' Increase**

Benchmarking our sites against other similar attractions shows that we are in step with our competitors. The increase in visitor numbers in 2006 across the estate indicates that our prices are fair and not a disincentive to visit. We are confident that increasing them by 50p will not have an impact on visitor numbers. We would like to commission some visitor research on this at the landward sites in 2007. A full breakdown of site prices is attached – see Appendix 1.

#### 4. Recommended Increases

##### 4.1 2007-08 Target

We propose increasing the Edinburgh Castle Adult price from £10.30 to £11.00 and the concession rate from £8.50 to £9.00. As mentioned earlier, at Stirling Castle and the Band 6 properties visitor numbers are static or declining. We plan to hold prices at these sites until we can investigate why this is happening and ascertain whether price is the main issue. All other sites will increase by 50p in both the adult and concession categories and the child rate at all sites will become 50% of the adult rate.

With no change in visitor numbers this would generate additional revenue worth £600,000.

Site Bands	2006-07			2007-08				Total Income	Additionality
	Adult	Conc	Child	Adult	Conc	Child			
Edinburgh	10.30	8.50	4.50	11.00	9.00	5.50	7,233,410	351,526	
Stirling	8.50	6.50	3.50	8.50	6.50	4.25	1,525,541	11,190	
Band 6	6.50	5.00	2.50	6.50	5.00	3.25	726,509	9,588	
Band 5	4.50	3.50	2.00	5.00	4.00	2.50	516,027	32,814	
Band 4	4.00	3.00	1.60	4.50	3.50	2.25	420,964	38,814	
Band 3	3.50	2.50	1.50	4.00	3.00	2.00	250,952	16,811	
Band 2	3.00	2.30	1.30	3.50	2.80	1.75	191,971	16,038	
Band 1	2.50	2.00	1.00	3.00	2.50	1.50	40,910	3,722	
Subtotal							10,906,284	479,873	
SEP & Membership Price Increase							1,251,063		
<b>TOTAL ADMISSIONS INCOME</b>							<b>12,157,347</b>		
Target Admissions Income (Based on 3 Year Plan)							12,523,153		

##### 4.2 Corporate Plan Target

Our proposed price increases takes us to £12,157,347 or -3% behind our corporate plan target for next year which is £12,523,153. However, we have calculated this increase based on no growth in visitor numbers, which is unlikely. A 1% growth in visitor numbers would result in total admissions income of £12,278,920.

We are currently reviewing the corporate targets 2007/08 and 2008/09. A new system for calculating additional income as a result of increased pricing is being devised which will give a more accurate prediction for the future.

## 5. Admissions Research For 2007

### 5.1 Edinburgh Castle Pricing Strategy/ECVRP Project

There are still some major questions that need to be answered before we can devise our pricing strategy for our number one property. This is a key element of the Edinburgh Castle Visitor Reception project. The question of 'elasticity' needs further consideration. Are there people who intended to visit but don't because of the price? Can we quantify how many visitors we may be potentially losing and what pricing levels would make them visit? What is the value of our 'turn away' business?

The Edinburgh Castle Visitor Reception Project will allow us to dramatically change the way we set prices. The deployment of new technology will allow us to introduce price differentiation which is the key to maximising yield and optimising volume. This means, similar to hotels, we would have a fixed 'rack rate' which would be discounted depending on various scenarios, what the visitor is buying, what time of year it is or what time of day it is.

The plan going forward would be to develop similar strategies for Stirling and Urquhart Castles. Ultimately this approach could be rolled out across all of our sites.

### 5.2 Visitor Perception of 'Value for Money'

Self completion visitor questionnaires have been in Edinburgh, Stirling and Urquhart Castles since July 2006. These are currently being analysed and will be reported on at the end of October. The early indications are that people perceive the admission prices to be 'more than expected' but rate the actual experience 'good' or 'better than expected' This suggests that we are not selling the 'offer' to its full potential prior to a visit. Getting this message across is key to the visitor judging the price as fair and good value for money. At Edinburgh in particular we feel there is a lot more work to be done in this area. This is one of the reasons why we have set the increase at £11.00 and not any higher. Going above £11.00 without improving the marketing of our offer (particularly at the arrival point) will give us the confidence to keep increasing the admissions price.

### 5.3 Competitors Benchmarking

As in previous years we have compared our sites against those locally and nationally to get a flavour of where we sit within the attractions sector and how we compare. Appendix 2 contains benchmarking data from 2006.

### 5.4 Quinquennial Market Research

The quinquennial market research, commissioned by the Marketing & Policy Group will take place in 2007. This presents another opportunity to gather more information on our visitor's preferences to inform the development of our pricing strategy. Key issues we hope to address are a better understanding of customer segments and their behaviour in relation to time of booking, ancillary purchases, perceived and experienced value, and price sensitivity.

## 5.5 Free Weekend – Role and Purpose?

In terms of visitor numbers the 2006 free weekend was an unprecedented success with over 60,000 more visitors than the previous year. In the past it has worked as a way of deflecting bad PR on increased prices and offers the local market the opportunity to experience our sites. There is however other considerations to be taken into account such as whether it devalues the product and if it has an impact on the likelihood of locals visiting at other times of the year. A meeting to discuss how we take the ‘free weekend’ concept forward has been arranged for the start of October.

## 6. Changes To Opening Hours

The Visitor Services Management Team is currently consulting with staff on a proposal to reduce site opening times. We currently operate our sites from 9.30am-6.30pm during the summer. The industry norm is either 9.30/10.00am to 5.00/5.30pm. Some attractions remain open until 6.00pm. None stay open to 6.30pm. Any reduction to opening hours will improve the work/life balance for staff; increase Visitor Services operational efficiency; and bring us into line with the industry norm. There is a risk of a reduction in admissions income. However, we are confident that once we publish our opening times the same number of visitors will come over a slightly shorter day. Edinburgh and Stirling Castles will be unaffected by the change as they currently close at 6.00pm.

## 7. Summary

The recommendations made for next year’s admissions price increases are based on previous experience, research, and benchmarking against other attractions. To sum up we plan to:

- increase Edinburgh Castle’s adult price to £11.00
- hold our prices at Stirling and Urquhart Castles, as well as the Band 6 sites
- increase adult prices by 50p everywhere else
- bring the child price to 50% of adult prices at all properties

Our expertise is growing in this area and we now have a better idea of how to develop a more robust admissions strategy and where the gaps in our knowledge and understanding are. Given appropriate staffing resources we intend to plug these gaps, providing the VSBD Team with greater commercial data on which to make pricing recommendations in the future.

2007 will be a learning year, and we will focus primarily on gathering customer views and data on their spending habits enabling us to build a much clearer picture of what our customers are willing to pay enabling us to build a more holistic pricing policy for the future.

**PETER BROMLEY**  
**Director, Properties in Care**  
**13 October 2006**

Appendix 1: Admission prices by site/band  
Appendix 2: Competitors Prices 2006

## Appendix 1

## Admission Prices by Price/Band

	2006			2007		
<b>Edinburgh</b>	£10.30	£8.50	£4.50	£11.00	£9.00	£5.50
<b>Stirling Castle</b>	£8.50	£6.50	£3.50	£8.50	£6.50	£4.25
<b>Band 6 Sites</b>						
Urquhart Castle	£6.50	£5.00	£2.50	£6.50	£5.00	£3.25
Fort George	£6.50	£5.00	£2.50	£6.50	£5.00	£3.25
Skara Brae (Summer)	£6.50	£5.00	£2.50	£6.50	£5.00	£3.25
Skara Brae (Winter)	£5.50	£4.50	£2.00	£5.50	£4.50	£2.75
<b>Band 5 Sites</b>						
Black House	£4.50	£3.50	£2.00	£5.00	£4.00	£2.50
Caerlaverock	£4.50	£3.50	£2.00	£5.00	£4.00	£2.50
Dallas Dhu	£4.50	£3.50	£2.00	£5.00	£4.00	£2.50
Jedburgh	£4.50	£3.50	£2.00	£5.00	£4.00	£2.50
Linlithgow	£4.50	£3.50	£2.00	£5.00	£4.00	£2.50
Maes Howe	£4.50	£3.50	£2.00	£5.00	£4.00	£2.50
Melrose	£4.50	£3.50	£2.00	£5.00	£4.00	£2.50
St Andrew's Castle	£4.50	£3.50	£2.00	£5.00	£4.00	£2.50
<b>Band 4 Sites</b>						
Arboath Abbey	£4.00	£3.00	£1.60	£4.50	£3.50	£2.25
Argyll's Lodging	£4.00	£3.00	£1.60	£4.50	£3.50	£2.25
Castle Campbell	£4.00	£3.00	£1.60	£4.50	£3.50	£2.25
Corgarff	£4.00	£3.00	£1.60	£4.50	£3.50	£2.25
Dirleton	£4.00	£3.00	£1.60	£4.50	£3.50	£2.25
Dryburgh	£4.00	£3.00	£1.60	£4.50	£3.50	£2.25
Edzell	£4.00	£3.00	£1.60	£4.50	£3.50	£2.25
Elgin	£4.00	£3.00	£1.60	£4.50	£3.50	£2.25
Gurness	£4.00	£3.00	£1.60	£4.50	£3.50	£2.25
Huntly	£4.00	£3.00	£1.60	£4.50	£3.50	£2.25
Iona	£4.00	£3.00	£1.60	£4.50	£3.50	£2.25
Inchcolm	£4.00	£3.00	£1.60	£4.50	£3.50	£2.25
Inchmahome	£4.00	£3.00	£1.60	£4.50	£3.50	£2.25
Jarlshof	£4.00	£3.00	£1.60	£4.50	£3.50	£2.25
Kisimul	£4.00	£3.00	£1.60	£4.50	£3.50	£2.25
Loch Leven	£4.00	£3.00	£1.60	£4.50	£3.50	£2.25
Tantallon	£4.00	£3.00	£1.60	£4.50	£3.50	£2.25

	2006			2007		
<b>Band 3 Sites</b>						
Aberdour	£3.50	£2.50	£1.50	£4.00	£3.00	£2.00
Blackness	£3.50	£2.50	£1.50	£4.00	£3.00	£2.00
Bonawe	£3.50	£2.50	£1.50	£4.00	£3.00	£2.00
Craigmillar	£3.50	£2.50	£1.50	£4.00	£3.00	£2.00
Doune	£3.50	£2.50	£1.50	£4.00	£3.00	£2.00
Dumbarton	£3.50	£2.50	£1.50	£4.00	£3.00	£2.00
Glasgow Cathedral	Free					
Hackness Battery	£3.50	£2.50	£1.50	£4.00	£3.00	£2.00
Huntingtower	£3.50	£2.50	£1.50	£4.00	£3.00	£2.00
New Abbey	£3.50	£2.50	£1.50	£4.00	£3.00	£2.00
St Andrew's Cathedral	£3.50	£2.50	£1.50	£4.00	£3.00	£2.00
Rothsay	£3.50	£2.50	£1.50	£4.00	£3.00	£2.00
Threave	£3.50	£2.50	£1.50	£4.00	£3.00	£2.00
Trinity House	£3.50	£2.50	£1.50	£4.00	£3.00	£2.00
<b>Band 2 Sites</b>						
Balvenie	£3.00	£2.30	£1.30	£3.50	£2.80	£1.75
Bothwell	£3.00	£2.30	£1.30	£3.50	£2.80	£1.75
Bishops & Earls Palace	£3.00	£2.30	£1.30	£3.50	£2.80	£1.75
Cairnpapple	£3.00	£2.30	£1.30	£3.50	£2.80	£1.75
Cardoness	£3.00	£2.30	£1.30	£3.50	£2.80	£1.75
Craignethan	£3.00	£2.30	£1.30	£3.50	£2.80	£1.75
Crichton	£3.00	£2.30	£1.30	£3.50	£2.80	£1.75
Crossraguel	£3.00	£2.30	£1.30	£3.50	£2.80	£1.75
Dunfermline	£3.00	£2.30	£1.30	£3.50	£2.80	£1.75
Dunstaffnage	£3.00	£2.30	£1.30	£3.50	£2.80	£1.75
Hermitage	£3.00	£2.30	£1.30	£3.50	£2.80	£1.75
Kildrummy	£3.00	£2.30	£1.30	£3.50	£2.80	£1.75
Maclellans	£3.00	£2.30	£1.30	£3.50	£2.80	£1.75
Newark	£3.00	£2.30	£1.30	£3.50	£2.80	£1.75
Rowallan	£3.00	£2.30	£1.30	£3.50	£2.80	£1.75
Smailholm	£3.00	£2.30	£1.30	£3.50	£2.80	£1.75
Spynie	£3.00	£2.30	£1.30	£3.50	£2.80	£1.75
Tolquhon	£3.00	£2.30	£1.30	£3.50	£2.80	£1.75
<b>Band 1 Sites</b>						
Birsay	£2.50	£2.00	£1.00	£3.00	£2.50	£1.50
Dunblane	Free					
Dundrennan	£2.50	£2.00	£1.00	£3.00	£2.50	£1.50
Elcho	£2.50	£2.00	£1.00	£3.00	£2.50	£1.50
Glenluce	£2.50	£2.00	£1.00	£3.00	£2.50	£1.50

	<b>2006</b>			<b>2007</b>		
Meikle	£2.50	£2.00	£1.00	£3.00	£2.50	£1.50
Seton	£2.50	£2.00	£1.00	£3.00	£2.50	£1.50
Sweetheart	£2.50	£2.00	£1.00	£3.00	£2.50	£1.50
St Serfs	Free					

## Appendix 2

## Competitors Prices 2006

<b>Edinburgh Castle Comparison</b>	<b>Adult</b>	<b>Concession</b>	<b>Child</b>
Madame Tussauds	£22.99	£19.99	£18.99
HRP Tower of London	£15.00	£12.00	£9.50
London Eye	£13.00	£10.00	£6.50
NTS Culzean Castle (Band A)	£12.00	£8.00	£8.00
Edinburgh Dungeon	£11.45	£6.62	£5.22
<b>Edinburgh Castle</b>	<b>£10.30</b>	<b>£8.50</b>	<b>£4.50</b>
Edinburgh Zoo	£10.00	£7.50	£7.00
NTS Crathes Castle (Band B)	£10.00	£7.00	£7.00
NTS Newhailes House (Band B)	£10.00	£7.00	£7.00
NTS Falkland Palace (Band B)	£10.00	£7.00	£7.00
Britannia	£9.00	£7.00	£5.00

<b>Stirling Castle Comparison</b>	<b>Adult</b>	<b>Concession</b>	<b>Child</b>
EH Dover Castle	9.50	7.10	4.80
NT Lanhydrock	9.00	9.00	4.50
St Paul's Cathedral	9.00	8.00	3.50
Dynamic Earth	8.95	5.45	5.45
Holyrood Palace	8.80	7.80	4.80
Deep Sea World	8.55	6.75	6.30
<b>Stirling Castle</b>	<b>8.50</b>	<b>6.50</b>	<b>3.50</b>
Hopetoun House	8.00	7.00	4.25
Falkirk Wheel	8.00	6.50	4.25
House of Binns	8.00	5.00	5.00
NTS Pollok House (Band C)	8.00	5.00	5.00
EH Eltham Palace	7.60	5.70	3.80
NT Hardwick Hall	7.80	7.80	3.90
EH Down House	6.90	5.20	3.50
Camera Obscura	6.45	5.15	4.15

<b>Band 6 Comparison</b>	<b>Adult</b>	<b>Concession</b>	<b>Child</b>
<b>HS Urquhart Castle</b>	<b>6.50</b>	<b>5.00</b>	<b>2.50</b>
EH Walmer Castle	£6.20	£4.70	£3.10
NT Red House, London	£6.00	£6.00	£3.00
Balmoral Castle	£6.00	£5.00	£2.00
EH Kenilworth Castle	£5.90	£4.40	£3.00
EH Stonehenge	£5.90	£4.40	£3.00
EH Battle Abbey	£5.50	£4.10	£2.80
NTS Alloa Tower (Band D)	£5.00	£4.00	£4.00

<b>Band 5 Comparison</b>	<b>Adult</b>	<b>Concession</b>	<b>Child</b>
Sandringham House	£8.00	£6.50	£5.00
NT Osterley Park (Band E)	£5.10	£5.10	£2.50
Holdenby House	£4.50	£4.00	£3.00
<b>HS Melrose Abbey</b>	<b>£4.50</b>	<b>£3.50</b>	<b>£2.00</b>
Bede's World	£4.50	£3.00	£3.00
EH Tintagel Castle	£4.30	£3.20	£2.20
EH Lullingstone Roman Villa	£3.90	£2.90	£2.00

<b>Band 4 Comparisons</b>	<b>Adult</b>	<b>Concession</b>	<b>Child</b>
<b>HS Iona Abbey</b>	<b>£4.00</b>	<b>£3.00</b>	<b>£1.60</b>
EH Birdowalt Fort (Hadrain's Wall)	£3.80	£2.90	£1.90
EH Lindisfarne	£3.70	£2.80	£1.90

<b>Band 3 Comparisons</b>	<b>Adult</b>	<b>Concession</b>	<b>Child</b>
<b>HS Blackness Castle</b>	<b>£3.50</b>	<b>£2.50</b>	<b>£1.50</b>
EH Warkworth Castle	£3.40	£2.60	£1.70
NTS Glenfinnan Monument (Band E)	£3.00	£2.00	£2.00
Scott Monument	£3.00	£3.00	£3.00

<b>Band 2 &amp; 1 Comparisons</b>	<b>Adult</b>	<b>Concession</b>	<b>Child</b>
<b>HS Newark Castle</b>	<b>£3.00</b>	<b>£2.30</b>	<b>£1.30</b>
EH Dunstanburgh Castle	£2.70	£2.00	£1.40
NT Nether Alderley Mill	£2.50	£2.50	£1.20
St Giles Cathedral (donation)	£2.00	£2.00	£2.00
NT Little Clarendon	£2.00	£2.00	£2.00
<b>HS Glenluce Abbey (example)</b>	<b>£2.50</b>	<b>£2.00</b>	<b>£1.00</b>
Bede's World	£4.50	£3.00	£3.00
EH Tintagel Castle	£4.30	£3.20	£2.20
EH Lullingstone Roman Villa	£3.90	£2.90	£2.00