

To: Historic Scotland Board

Copy: PIC Management Group  
Senior Visitor Services & Business Development Team

## COMMERCIAL REVIEW OF 2007-08

### 1. SUMMARY OF YEAR END PERFORMANCE

This paper sets out the final audited sales results from the 2007-08 financial year and provides a brief overview of our commercial performance against our Key Performance Target. It also details our performance against our KPT for service.

#### 1.1 Results

April 2007 – March 2008	Actual	Budget	+/- Bgt	+/- Ly
<b>Visitor Numbers</b>	<b>3,193,004</b>	<b>3,130,234</b>	<b>2%</b>	<b>2%</b>
<i>Site Income:</i>				
Admissions – Site Ticket Sales	£10,691,826	£10,828,810	-1%	5%
Admissions – Site Exp. Passes	£1,515,904	£1,070,000	29%	45%
Admissions – Site Membership	£252,842	£218,000	14%	24%
Total Admissions	£12,460,572	£12,116,810	3%	9%
Retail	£6,099,444	£6,000,000	2%	7%
<b>Subtotal Site Income</b>	<b>£18,560,016</b>	<b>£18,116,811</b>	<b>2%</b>	<b>8%</b>
<i>HQ Income:</i>				
Day Catering	£484,402	£425,000	12%	22%
Evening Catering	£316,842	£380,000	-20%	-5%
Corporate	£796,927	£825,000	-4%	9%
Weddings	£388,221	£380,000	2%	19%
Events	£326,940	£280,000	14%	14%
Membership	£1,009,912	£983,000	3%	10%
Travel Trade	£2,527,890	£2,386,765	6%	10%
<b>Subtotal HQ Income</b>	<b>£5,851,134</b>	<b>£5,659,765</b>	<b>3%</b>	<b>10%</b>
<i>Total VSBD Income:</i>	<b>£24,411,150</b>	<b>£23,776,576</b>	<b>3%</b>	<b>9%</b>
Other Site Income	£165,053	£176,210	-7%	-5%
Rental	£106,245	£60,000	46%	-6%
Education	£31,745	£35,000	-15%	-10%
Business Club	£35,898	£40,000	-11%	-6%
Audio Guide	£170,528	£150,000	12%	16%
<b>Total PIC Income</b>	<b>£24,920,619</b>	<b>£24,237,785</b>	<b>3%</b>	<b>8%</b>
Variance		£682,834		

*Please note that these figures have been reconciled against FMIS and adjusted accordingly.  
As a result, each area of income has been amended to equal FMIS.*

## **1.2 General Overview**

This has been another successful year, with visitor numbers and income levels breaking all previous records.

The year started inauspiciously though with very slow visitor numbers – thanks largely to Easter falling at the end of the 2006-07 financial year. The summer proved challenging weather wise, with very wet conditions across the country depressing visitor numbers at our rural sites.

However, the second half of the year was busier than forecast – especially at our larger properties. The last quarter was particularly good, with the March Easter giving us a boost just before Year End. This resulted in additional sales worth almost £700,000; 3% ahead of budget and 8% ahead of last year.

## **1.3 Admissions**

Admissions was the key driver behind the increased sales this year; accounting for 50% of the additional income. This was as a result of better than expected visitor numbers and a significant price increases across the Estate. In particular we increased the price of adult admissions at Edinburgh Castle by 70p.

Sales of the Scottish Explorer Pass continued to perform well, with 63,000 passes sold last year. Urquhart Castle in particular sold 30% more Explorer Passes in 2007-08 compared to 2006-07.

Despite an exceptionally strong performance in 2006-07, the Membership Team maintained their momentum with site sales ahead of target by 14%.

## **1.4 Retail**

Retail income exceeded sales of £6 million for the first time and beat budget by almost £100,000. The Retail Team are now focused on delivering many of the elements of the Retail Strategy. In particular during 2007, they dedicated resource to clearing out poor performing stock, leaving us with just over 5,000 (active) product lines, down from 10,000 a year ago.

Specific sites underwent more detailed reviews including Iona and Skara Brae. The improvements made here, were then rolled out to another 11 sites around the Estate. The Retail HQ Team also appointed champions based at key regional sites and introduced a series of sales meetings to encourage greater teamwork between the central and site teams.

At our number one property Edinburgh Castle, the Main Gift Shop was re-merchandised and sales condensed into one floor to make room for the Visitor Information Area on the ground floor. Despite trading within a smaller space, this led to an increase in sales of 30% during the eight weeks to Year End.

Retail also created a new look shop for Stanley Mills and produced a small range of site specific merchandise. Early indications are that this has increased sales, with retail currently sitting 206% ahead of budget for the first two months of the new financial year.

## 2. VISITOR NUMBERS

### 2.1 Monthly Breakdown

Month	2006-07	Budget	2007-08	+/- Bgt	+/- Ly
Apr	357,939	328,825	322,016	-2%	-10%
May	298,814	299,011	296,491	-1%	-1%
Jun	358,823	359,935	354,193	-2%	-1%
Jul	531,696	535,817	532,349	-1%	0%
Aug	593,231	594,903	602,408	1%	2%
Sep	317,081	317,967	328,218	3%	4%
Oct	208,220	208,765	217,455	4%	4%
Nov	93,697	93,922	106,911	14%	14%
Dec	81,937	82,134	90,666	10%	11%
Jan	71,288	68,189	71,476	5%	0%
Feb	92,621	92,109	98,552	7%	6%
Mar	117,813	148,656	172,269	16%	46%
<b>Annual Total</b>	<b>3,123,160</b>	<b>3,130,234</b>	<b>3,193,004</b>	<b>2%</b>	<b>2%</b>

### 2.2 Key Trends

As discussed earlier, we had a slow start to the year with the first three months down year on year, and the first four months down on budget. However, subsequent months produced growth on last year and budget. In particular the high volume months of August and September saw an average of 3% growth on the previous year, which accounted for an extra 20,000 visitors. We also boosted our third quarter visitors, helping to extend our season by welcoming an additional 31,000 visitors over this period. This is in part due to the success of the winter festivals and the upsurge in visitors to Edinburgh Castle.

Finally early Easter in March 2008 produced a bigger than expected uplift. Although the visitor numbers of the actual Easter weekend were as forecast, the rest of the month grew at a much greater rate than expected, with 46% year on year growth in March.

## 3. ANALYSIS OF SITE/REGIONAL PERFORMANCE

### 3.1 Top 3 Sites

2007-08	Edinburgh Castle			Stirling Castle/Site			Urquhart Castle		
	000s	+/-Bgt	+/-Ly	000s	+/-Bgt	+/-Ly	000s	+/-Bgt	+/-Ly
Visitor No	1,249	3%	3%	448	2%	2%	284	14%	13%
Admissions	£7,923	4%	10%	£1,812	5%	9%	£707	16%	22%
Retail	£2,537	1%	5%	£972	3%	7%	£652	12%	16%
<b>Total Sales</b>	<b>£10,460</b>	<b>3%</b>	<b>9%</b>	<b>£2,783</b>	<b>5%</b>	<b>8%</b>	<b>£1,360</b>	<b>14%</b>	<b>19%</b>

Our Top 3 sites all performed well this year, with income largely following better than expected visitor numbers.

Edinburgh Castle beat target by 3%, helped by the soft opening of the new Visitor Reception in January and the uplift in guidebook and audio guide sales. As part of the Major Project we also launched our new brand identity and staff uniforms – helping to build a more distinctive/quality image for Scotland’s most popular paid attraction.

Stirling Castle also beat budget last year, with income up 5% on budget and up 8% on 2006-07. Both the Book Shop and The Whitehouse produced substantial year on year increases as a result of an improved staff structure at the Book Shop and an increased flow of visitors to The Whitehouse.

Urquhart in particular has had a fantastic year, and anecdotally there seems to have been some uplift in visitor numbers thanks to the Year of Highland Culture, although this is difficult to track in practice.

### 3.2 Regional Performance

2007-08	North (Less Urquhart)			Central (Less Stirling)		
	000s	+/-Bgt	+/-Ly	000s	+/-Bgt	+/-Ly
Visitor No	708	4%	4%	788	0%	0%
Admissions	£1,542	4%	10%	£1,288	0%	6%
Retail	£1,365	4%	8%	£1,079	-6%	-2%
<b>Total Sales</b>	<b>£2,907</b>	<b>4%</b>	<b>9%</b>	<b>£2,367</b>	<b>-2%</b>	<b>2%</b>

The smaller more rural sites had a less successful year, where bad weather, particularly in the summer led to lower than expected visitor numbers at some of the landward sites. This trend is mirrored by the experience of NTS properties and other attractions within the Visitor Attraction Monitor.

### 3.3 Top Ten Sites

2007-08	Visitors	+/-Bgt	+/-Ly	Income	+/-Bgt	+/-Ly
Edinburgh Castle	1,249,326	3%	3%	£10,460,160	3%	9%
Stirling Site	448,240	2%	2%	£2,784,081	5%	8%
Urquhart Castle	284,255	14%	13%	£1,359,520	14%	19%
St Andrew’s Castle	59,277	-7%	-7%	£224,770	-6%	-1%
Linlithgow Palace	62,860	17%	20%	£198,585	11%	18%
Fort George	60,059	-3%	-3%	£297,588	-6%	-1%
Iona Abbey	66,671	-4%	-4%	£400,998	0%	5%
Melrose Abbey	45,840	-3%	-3%	£187,346	-4%	0%
Caerlaverock Castle	35,936	1%	0%	£164,239	0%	4%
Skara Brae	70,430	9%	9%	£385,509	-1%	4%
<b>Total Top 10</b>	<b>2,382,894</b>	<b>3%</b>	<b>4%</b>	<b>£16,462,795</b>	<b>4%</b>	<b>9%</b>

Looking at our Top Ten sites, all but two sites (Fort George and St Andrew's Castle) grew their income year on year. However, only six out of the Top 10 sites achieved their income targets in 2007-08. This is an area that we are seeking to address in the coming year.

Alongside the strong performances of the Top 3 sites, Linlithgow Palace and Skara Brae both had excellent years in terms of visitor numbers, beating budget by 17% and 9% respectively. Caerlaverock Castle also beat budget by 1%.

### 3.4 Spend Per Visitor Performance

2007-08 SPV	Admissions			Retail		
	Actual	+/-Bgt	+/-Ly	Actual	+/-Bgt	+/-Ly
Edinburgh Castle	£6.34	2%	7%	£2.03	-2%	2%
Stirling Castle	£4.04	4%	7%	£2.17	1%	6%
Urquhart Castle	£2.49	2%	8%	£2.30	-1%	3%
Top Ten Sites	£4.81	1%	6%	£2.10	-1%	2%
Landward Sites	£1.41	0%	5%	£1.25	-6%	0%
<b>ALL SITES</b>	£3.94	2%	7%	£1.89	-2%	2%

Admissions SPVs were all up on budget, with Urquhart Castle producing the greatest year on year increase because of strong sales of Explorer Passes and a higher proportion of adult visitors.

Disappointingly most of the areas above failed to achieve the targeted increase in Retail Spend per Visitor. The Landward sites in particular remained level with last year, which in real terms represents a decline. This is an area that will be addressed as part of the Retail Health-check.

## 4. ANALYSIS OF HQ BUSINESS

2007-08	Actual	Budget	+/- Bgt	+/- Ly
Catering - Day	£484,402	£425,000	12%	22%
Catering – Evening	£316,842	£380,000	-20%	-5%
Corporate	£796,927	£825,000	-4%	9%
Weddings	£388,221	£380,000	2%	19%
Events	£326,940	£280,000	14%	14%
Membership (non-site sales)	£1,009,912	£983,000	3%	10%
Travel Trade (non-site sales)	£2,527,890	£2,386,765	6%	10%
<b>TOTAL SALES</b>	£5,851,134	£5,659,765	3%	10%

### 4.1 Day Catering

Day catering had a successful year, beating budget by 12% and growing by 22% on 2006-07. The Top 3 sites all performed well, led by Urquhart Castle which exceeded budget by 10% and grew by 18% year on year on the back of very strong visitor numbers. Edinburgh and Stirling Castle's were bang on budget, growing by 5% and 10% on last year respectively.

Better than expected visitor numbers will have helped at our top three sites. However, Day Catering income at our other properties grew at a slower rate of 3%.

#### **4.2 Evening Catering, Corporate & Weddings**

2007-08 was a good year for weddings, with over 600 ceremonies held at our properties. Income was up 2% on budget and up 19% on last year. Weddings income at Stirling Castle was up 64% on budget while income at Edinburgh Castle was up 22% on budget.

It has been a less successful year for Corporate Functions which fell short of budget by 4% although the business grew 9% year on year. This is partly due to staffing shortages within the Functions Team, which have now been filled. As a result Evening Catering also failed to reach budget by 20%, a drop of 5% on the previous year. However, we did host 300 functions including Gordon Ramsay's high profile charity dinner at Stirling Castle.

#### **4.3 Events**

2007-08 was a strong year for the Events and Filming Team who beat budget by 14% and grew turnover by 14% year on year. Much of this growth was due to unexpected income from two films – Domsday at Blackness Castle and Arn at Seton Collegiate Church, Craigmillar Castle and Torphichen Preceptory. Together they produced a turnover of £65,000.

As well as organising over 400 events across the Estate, the Events programme delivered free PR coverage for the agency worth approximately £500,000. We won the prestigious Marketing Week effectiveness award, the Phoenix Award for 2007, for our use of events to increase visitor numbers and memberships.

Many events supported the Year of Highland Culture such as Macbeth at Elgin Cathedral and the Inverness Military Tattoo at Fort George. Linlithgow hosted our busiest event to date – with Jousting in July attracting close to 9,000 visitors over two days.

The Events Team also coordinated our successful 'Kids Go Free' Campaign in October with free children's trails at all of our sites. And on St Andrew's Day all of our properties opened free for the first time.

#### **4.4 Membership**

Overall, Membership had a successful year achieving budget for both site sales and HQ income. At the year end HQ Membership sales were up 10% year on year and 3% up on budget.

Membership numbers are currently at 83,112 which is a 10% increase on last year. 51.4% of Members now pay by Direct Debit, up 2% on last year. Retention is currently 82% for UK customers, which is also 2% up on last year.

The Membership Team also won the Best Magazine Re-design Award at the Scottish Periodical Publishers Association annual awards.

## 4.5 Travel Trade

The Travel Trade HQ income ended the year up 6% on budget and up 10% on last year. Over the year VIP income was slightly ahead of last year – up 2% – but just short of budget by 2%.

Factors such as the strength of the Pound against the Dollar and the movement of one of the main customers from this income area to HQ income may have had an impact on the lower than expected VIP sales levels. Another significant reason may be that some clients are moving from this product to the Explorer and Group Explorer products which are performing well.

Excellent sales of the Group Explorer pass did not have the anticipated negative affect on the sales of the Trade Explorer Pass. Despite the 46% growth on the Group Explorer Pass, the Trade Explorer Pass still managed a growth of 2% against an expected drop due to displacement.

Returns for the Great British Heritage Pass have also been impressive with an increase of 11% on last year. The Royal Edinburgh Ticket also had an excellent year, with a 62% year on year growth. More Royal Edinburgh Tickets (which includes bus travel, Britannia, Holyrood and Edinburgh Castle) were sold last year than the city wide Edinburgh Pass (12,577 Royal Edinburgh tickets over the full financial year compared to 7,911 Edinburgh Passes between 1<sup>st</sup> April 07 and 25<sup>th</sup> February 08).

The Travel Trade Team won the ASVA Best Leaflet Award for the site promotional leaflets. And were instrumental in creating a joint heritage area at VisitScotland's EXPO trade fair, where we also launched a joint heritage pass with the NTS and Historic Houses Association for Homecoming 2009.

## 5. INDUSTRY PERFORMANCE

Competitive Benchmarking – Visitor Numbers	% Yr-on-Yr	Time Period
Historic Scotland	0.6%	Jan 07 – Dec 07
VisitScotland (Paid Attractions)	0.5%	Jan 07 – Dec 07
VisitScotland (All Attractions)	1.8%	Jan 07 – Dec 07
ALVA (Like for Like Attractions)	6.5%	Jan 07 – Dec 07
ASVA	-1.7%	Jan 07 – Dec 07
NTS	2.5%	Mar 07 – Feb 08
Historic Scotland	0.8%	Mar 07 – Feb 08

For our financial year, visitor numbers were ahead of 2006-07 by 2%. However, in terms of benchmarking with other groups we need to compare our visitor numbers over slightly different time periods, as each organisation records their performance differently.

The recently launched Visitor Attraction Monitor from VisitScotland shows visits to all attractions (both paid and free) up 1.8% for 2007. However this figure has been slightly boosted by the re-opening of the Kelvingrove Museum. Taking this out of the equation, there have been only 1.1% more visitors to attractions throughout 2007. While the paid attraction sector saw a minimal growth of 0.5% on 2006. The ASVA figures show a 1.7% decline on 2006 for the calendar year.

When the period March 07 to Feb 08 (The NTS financial year) is analysed, the National Trust for Scotland show a 2.5% growth against only 0.8% for Historic Scotland. This growth shown by the NTS is largely due to the re-opening of the new visitor centre at Culloden in Dec 07.

## 6. MYSTERY VISIT PERFORMANCE

This has been one of most successful years in terms of delivering world class service. We exceeded both our annual target and our three year rolling target, which is also our KPT. Out of 241 completed audits we recorded forty four 100% scores (compared to 23 last year).

	<b>2007-08 Actual</b>	<b>%+/- VSBD Target</b>
Edinburgh Castle	<b>89.9%</b>	<b>-0.1%</b>
Stirling Castle	<b>92.9%</b>	<b>+3.2%</b>
Urquhart Castle	<b>93.1%</b>	<b>+3.4%</b>
North/Central	<b>94.3%</b>	<b>+4.8%</b>
Central/South	<b>91.7%</b>	<b>+1.9%</b>
<b>ALL SITES</b>	<b>92.2%</b>	<b>+2.4%</b>
<b>Three Yr Average</b>		<b>90.5%</b>
<b>Key Performance Target</b>		<b>88.2%</b>
<b>%+/- KPT</b>		<b>+2.6%</b>

In terms of comparing our service with other providers, we use the same Mystery Visit audit at the National Trust for Scotland and the Forestry Commission. Comparative performances for the last financial year are shown below:

<b>Competitive Benchmarking</b>	<b>HS</b>	<b>NTS</b>	<b>FCS</b>
<b>Cleanliness &amp; Maintenance of site</b>	98.8%	97.7%	93.8%
<b>Walks</b>	N/A	N/A	89.8%
<b>Exhibitions</b>	N/A	N/A	89.9%
<b>Promotion of Products &amp; Services</b>	86.5%	76.6%	N/A
<b>Retail Process</b>	93.4%	89.2%	87.7%
<b>Staff Service Skills &amp; Image</b>	98.3%	95.2%	87.9%
<b>Non Company staff</b>	N/A	N/A	91.4%
<b>Enhancing Visitor Experience</b>	88.8%	84.6%	77.0%
<b>Visitor Enquiry</b>	99.5%	97.5%	95.7%
<b>Catering</b>	N/A	91.1%	89.4%
<b>Overall Service Delivery</b>	<b>92.2%</b>	<b>88.5%</b>	<b>87.6%</b>

Also in the last year, thirteen properties received Gold Green Tourism Awards and Smailholm Tower received VisitScotland five star status.

## **7. SUMMARY**

Despite a challenging start to the year, business recovered over the second half of the year to produce our best set of results yet. Given that the paid visitor attractions sector in the UK continues to be relatively flat, this is a good result.

Some budget targets were missed, but our work this year has put our Retail business back on track and a number of the other business areas, including Travel Trade and Membership continue to perform strongly.

In terms of our Key Performance Targets for Sales and for Service – both were exceeded this year which is a creditable performance.

**PETER BROMLEY**

Director of Properties in Care

13th June 2008