

HISTORIC SCOTLAND BOARD
COMMERCIAL AND TRADING UPDATE

1. PURPOSE

This paper is intended to brief Historic Scotland Board on Properties in Care's:

- Commercial performance year to date
- Marketing plans for 2008 and 2009 season
- Admissions strategy for 2009 season

2. INTRODUCTION

The 2008 season so far has been an unpredictable and challenging one. Few could have predicted the speed of the economic slow down affecting both the UK and overseas market; or indeed the rising fuel prices which have impacted across the economy and affected both the day visitor and holiday makers' travel patterns. These factors have combined with one of the wettest summers for years, to depress visitor numbers.

Not every area of the business is suffering. Both Travel Trade and Membership sales are well ahead of last year and target. And relative to visitor numbers, retail sales are performing more strongly and clearly benefiting from the implementation of the new retail strategy.

The same pattern is emerging for day catering. Once we attract visitors to our properties, we are maximising their spend – which is encouraging as secondary spend is usually hit badly during tough trading periods.

The Visitor Services & Business Development Team is working hard to understand and address the impact of declining numbers on our business. The sales and marketing activity for the autumn/winter period has been significantly enhanced. And plans to kick-start the 2009 season are well underway.

3. COMMERCIAL PERFORMANCE TO SEPTEMBER 2008**3.1 Year to Date Out-turn**

Visitor Numbers	Actual	Budget	%+/- Bgt	%+/-Ly
All Sites	2,185,563	2,361,279	-7%	-10%
Site Sales				
Total Admissions	£8,240,610	£9,378,835	-12%	-8%
Retail	£4,394,437	£4,672,315	-6%	-2%
<i>Subtotal</i>	£12,635,046	£14,051,150	-10%	-6%
HQ Sales				
Day Catering	£296,498	£316,000	-6%	-1%
Eve Catering	£183,906	£227,500	-19%	-20%
Corporate	£413,046	£422,331	-2%	-9%
Weddings	£242,362	£278,800	-13%	-12%
Events	£125,184	£243,500	-49%	-44%

Membership	£653,144	£620,194	5%	12%
Travel Trade	£1,892,000	£1,833,000	3%	3%
HQ Sales	£114,529	£0	-	-
<i>Subtotal</i>	£3,920,669	£3,941,325	-1%	1%
Total Income				
Total VSBD	£16,555,716	£17,992,475	-8%	-4%
TOTAL PIC	£16,873,203	£18,356,839	-8%	-5%

3.2 Key Trends

Disappointingly visitor numbers and income are down this season. Visitor numbers are behind last year by -10%. Total income is down by a lesser degree -5%, which is more encouraging. (It is worth noting that the loss of Easter accounts for around 2% of the drop in visitor numbers.) In terms of the visitor mix, independent travellers are down across all ticket types and across all markets. However, our Travel Trade business is showing healthy growth and is currently 3% ahead of last year. Membership sales (mostly to Scots) are also ahead of last year by 12%.

It is also worth remembering that Historic Scotland enjoyed its most successful year ever in 2007/08 with visitor numbers ahead of the previous year by 2% at 3.2 million and income ahead by 8% at £24.9 million. However, the economic climate for next year looks increasingly gloomy and we may well be at the start of a downward trend.

The level of service offered to visitors continues to be extremely high. We are currently achieving a three year rolling satisfaction level of 92.1% against a target of 88.5%.

4. INDUSTRY TRENDS

Nationally, Historic Scotland appears to be having a more difficult year than the rest of the industry; although all of the trends are down. The following figures are from April-September unless otherwise stated. We have also included retail sales where this data is available:

4.1 National Overview	Visitor Numbers	Retail
• Visit Scotland Attractions (Apr – Aug)	-6%	
• Association of Scottish Visitor Attractions (Apr – Jul)	-4%	
• National Trust for Scotland (inc Culloden)	-6%	
• National Trust for Scotland (ex Culloden)	-10%	
• Historic Scotland	-10%	-2%
 4.2 Edinburgh		
• Royal Yacht Britannia	1%	
• Palace of Holyrood	-6%	-8%
• Gladstone's Land (NTS)	18%	
• Georgian House (NTS)	2%	
• Edinburgh Zoo	-14%	
• Whisky Heritage Centre	2%	
• Edinburgh Castle	-14%	0%

4.3 Stirling

• Wallace Monument	-13%	-32%
• Old Town Jail	-14%	-21%
• Folklore Centre	-14%	-14%
• Stirling Castle	-8%	-3%

4.4 Urquhart/Inverness

• Culloden (NTS)	45%	
• Brodie Castle (NTS)	-6%	
• Fort George	-5%	1%
• Urquhart Castle	-6%	3%

5. PLANS FOR WINTER 2008/09

The Properties in Care Marketing Team is planning additional marketing activity over the winter months to attract more visitors to its properties. Plans include:

5.1 'Kids Go Free' Promotion

This will run throughout October and will be promoted television and radio advertising; extensive PR activity and a promotional leaflet inserted in newspapers and also distributed to addresses with families with children aged 5-11 across Scotland.

5.2 St Andrew's Weekend Membership Drive

HS is opening its properties for free over the weekend. At Edinburgh and Stirling Castles we will create special membership selling areas, with living history performers in costume to support membership sales. A special offer of 16 months for the price of 12 will be offered at all our properties.

5.3 Winter Explorer Pass

We will reduce the price of the Explorer Pass over the winter months and include an insert with value-added offers. This will be the key product that staff sell over the winter months to encourage as many visits to our sites as possible.

5.4 'Golden Oldies' Promotion

This will target the retired population in the central belt of Scotland, to incentivise them through a voucher to visit Edinburgh and Stirling Castles. Leaflets will be distributed to addresses of those who are aged 60 plus.

6. PLANS TO KICK-START 2009 SEASON

Ideas for the start of the 2009 season are in development. Currently under consideration:

6.1 Free Weekend

We are considering three options:

- i. Moving away from the traditional Free Weekend, where everyone comes free to a promotion where visitors have to bring a voucher to gain free entry. Ideas include linking up with a mass market newspaper (Daily Record, Scottish Sun) to run a free reader offer.
- ii. Developing a campaign to ask visitors to 'pay what they think it's worth' in the style of recent album downloads. This would stimulate debate on the value of the heritage sector and could help us raise our profile politically and across the tourism sector.
- iii. Merging the Free Weekend with St. Andrew's Day, when we now offer free entry to all of our charging properties.

6.2 Homecoming Campaign – Spring 2009

This campaign would seek to leverage the benefits of the public sector campaign due to kick off in the Spring encouraging Scots to get involved in Homecoming.

VisitScotland have developed a high profile celebrity TV campaign to raise awareness in the domestic market. A Historic Scotland media campaign could dovetail with this; giving a specific call to action i.e. visit our sites; your heritage. Depending on budget this could run as a direct mail, radio or TV campaign focused on February Half Term, the Easter Break and the lead up to the school holidays. Membership also needs to figure prominently in this campaign as a strong, value for money product.

6.3 'Must See' Edinburgh Castle Campaign

There are two strands to this campaign. The first is reaching tourists – many of whom will have less disposable spend. Our aim is not to slash prices but to further reinforce Edinburgh Castle's position as a 'must see' destination; and to bring to life the experience that they will get when they've paid the entry price.

Ideas currently under consideration include developing a summer 'blockbuster' style attraction, which offers something 'new' at the castle; higher profile banners on the Esplanade or around the city with images of the key attractions inside the Castle.

The second strand to this campaign is promoting cheaper entry to locals at off peak times of the year. This will be trialled via joint promotions over winter 2008. This could be expanded into local press/radio advertising in 2009.

6.4 Consumer Joint Promotions

A promotional calendar will be developed for Edinburgh Castle which will include the likes of Tesco vouchers. We are also currently exploring on-pack promotional offers (like the Walkers Crisps 2-for-1 entry to attractions which ran this summer).

7. ADMISSIONS STRATEGY FOR 2009

We intend to continue to position ourselves as price leaders in the heritage attractions field. By maintaining our existing prices we provide a pricing benchmark for other attractions in Scotland. We believe it particularly important given the current climate, that we stick to this position for our commercial sites (Edinburgh, Stirling and Urquhart Castles).

Our general admissions strategy is to raise prices little but often. However, given the general economic downturn, we plan to hold prices at our other sites.

At Edinburgh Castle we will continue to follow a yield pricing strategy i.e. we charge different prices at different times of year (or day) according to market conditions and our operational needs. This was introduced for 2008-09 and we intend to test further yield pricing scenarios during 2009-10.

7.1 Key Assumptions

- We will have an April Easter in 2009-10
- The 2009-10 visitor numbers are forecast to be 5% down on the 2008-09 outturn and then adjusted for the April Easter.
- Edinburgh, Stirling and Urquhart Castle prices will rise
- All other sites will see no price increase

7.2 Admissions Income Forecast for 2009

	Forecast Out-turn 2008-09	2009-10	+/- 2008-09	% +/- 2008-09
Visitor Numbers	2,868,382	2,790,337	-78,045	-2.7%
Average Admissions SPV	£4.07	£4.35	£0.28	6.9%
Admissions Income	£11,676,012	£12,128,152	£452,140	3.9%

We will continue to work closely with the Director of Finance to refine this forecast. We may be forced to adjust visitor numbers downwards if the economic forecasts worsen between now and the end of the financial year.

7.3 Ticket Prices for 2009

Site	2008-09 Prices			2009-10 Prices		
	Adult	Conc.	Child	Adult	Conc.	Child
Edinburgh Castle – Peak	£12.00	£9.50	£6.00	£13.00	£10.00	£6.50
Edinburgh Castle – Standard	£11.00	£9.00	£5.50	£12.00	£9.50	£6.00
Edinburgh Castle – Off Peak	£10.00	£7.00	£5.00	£11.00	£7.50	£5.50
Stirling Castle	£8.50	£6.50	£4.25	£9.00	£6.75	£4.50
Urquhart Castle	£6.50	£5.00	£3.25	£7.00	£5.25	£3.50

Note – these are provisional prices and may be subject to change.

8. SUMMARY

2009 promises to be another challenging year as the attractions sector is often the first to suffer the impact of any economic recession and a consumer tightening of belts. However, we have an opportunity to push our sites on the back of Homecoming 2009 and to promote our value added products – in particular our Membership offer. Over and above this, we need to ensure that Edinburgh Castle as our number one property does not continue to slip further behind than other attractions in the city.

The Historic Scotland Board is invited to note this update. Further progress will be reported back on in due course.

PETER BROMLEY
 Director of Properties in Care
 20 October 2008