

# DCMS Select Inquiry into the Impact of Covid-19 on Coastal Tourism

**Oral Evidence 19 May 2020**

## **Setting the scene**

- Coastal Tourism spend in England pre-Covid-19 is valued at £13.7bn, and across Great Britain £17.1bn
- Although some small progress has been made in past few years to reduce seasonality, 32% of all visits occur in July and August alone
- 29% of businesses generate more than half their annual turnover in July and August
- 84% of all visits are between March and October
- International visitors make up 12% of overnight visits but 37.6% of overnight spend
- The coast comprises large numbers of independently owned businesses (less than 3% corporate representation on coast) and often micro / small businesses

### Short term impact of Covid-19 on coastal tourism

Timing of Covid outbreak could not be worse for the coast: many businesses were at limit of overdraft and loans having survived the winter and in need of Easter business and the start of main season to recover negative balance. At present time:

- 74% of all businesses are temporarily closed
- 6.8% permanently closed
- This week's data (w/c 18 May) 8% have partially re-opened (offering takeaways for example)
- There has been a 70% drop in enquiries (55% reported a drop of over 75% in enquiries)
- 71% drop in bookings, with 63% still dealing with cancellations and refunds following latest government announcement
- 21.6% accessed self-employed support, 47.8% furloughed staff, put on hold or reduced seasonal recruitment

Based on this and current expectation that businesses will be permitted to open 1st June for retail and 4th July for hospitality we believe the economic impact for coastal tourism will be **£7.96bn in England for 2020 and £10.35bn for Great Britain coastal areas**

- This is based on latest feedback from businesses that they will need to operate at between **40-60% capacity over summer** in order to implement social distancing measures and increased hygiene processes

**The longer the situation continues the higher the chances that businesses will not be able to survive** 76.4% likely or highly likely to survive if reopen 4th July 20, drops to 41% if continues until September and 29% if measures still in place in December 20. Many are within weeks and months of failing.

- Only 57.2% believe they can reopen and adhere to social distancing and increased hygiene measures, 28% unsure at this time and 14.8% feel they can't reopen safely
- 25.2% feel it will not be commercially viable to reopen with social distancing measures and further 36.8% unsure and awaiting further guidance

Other impacts this year:

- Most events are cancelled for summer season (Air Shows, Food & Drink, music and sporting festivals)
- The night-time economy, and theatres are not sure they can open this year
- International Education, which is so important for many seaside resorts, has been decimated this year and current proposals for quarantine of international visitors add further barriers.
- Conferencing and business events for larger resorts like Bournemouth, Brighton, Blackpool and Torquay are a concern
- The UK coach and groups market which is so key for many coastal hotels is also expected to be severely impacted for at least this year

### On a more positive note – BDRC sentiment tracker shows an increased appeal for coast

- Most bookings have been moved – 40% of businesses deferred two-thirds of bookings to 2021 (South West Tourism Alliance)
  - Self-catering cottages, Camping and holiday parks likely to thrive
- Longer-term impacts

There is expected to be a boom in coastal tourism this year, based on consumer trackers such as VE Consumer insight and BDRC's weekly Covid sentiment tracker – but it will be difficult to fulfil demand with limited capacity

**Long term impact of Covid-19 on coastal tourism**

- Well documented by recent Centre for Towns Report (April 23 2020) and others that coastal destinations were already struggling with high-dependency on tourism (over 50% in some towns like Newquay, St Ives, Minehead, Whitby or rural areas like Exmoor)
- Hotels Solutions Report (May 2020) indicates expected 20-25% loss of accommodation stock as result of Covid-19 – which will have a significant impact on look and feel of coastal towns

**It will come as no surprise that the longer the business is closed, the longer it takes to return to profitability – if a business reopens:**

- 4th July - 67% say will take up to a year to return to profit, 41% up to 2 years
- September – 90.4% say will take up to a year, 66% up to 2 years, 24% more than 2 years
- December – 93% more than 6mths, 79% more than year, 36% more than 2 years
- With social distancing restricting capacity – many businesses and local authorities are all saying that this year (2020-21) is about surviving, 2021 early recovery, it will be at least 2022 (if not 2023) before there is any private or public sector investment into coastal tourism. Assuming no further outbreaks.
- At destination level, many Destination Management Organisations (DMOs) (and organisations like the NCTA) that rely on commercial income may fail – these are critical structures to support businesses through recovery and rebuild
- Other significant concerns for a few key parts of coast are the impact on air, ferry and cruise business – places like Dover, Hull and the Sussex coast – impact of P&O Ferries recent announcement, airlines removing services from Gatwick and cruise line operations suspended

**Positive opportunities:**

- Businesses are diversifying – there are many entrepreneurial and innovative businesses on the coast – we have already seen a museum café turned into a shop and selling £6k week of local produce, B&Bs switching to self-catering, vineyard offering drive-in cinema
- Market opportunities such as health and wellbeing and sustainable tourism could be key opportunities for coast to rebuild with the right support and investment
  - NCTA research pre-Covid identified 59% of consumers would prefer coastal setting for wellness break, but currently wellness holidays are only 8% of coastal market
  - BDRC's Holiday Trends report in 2020 identified that 77% of consumers want more sustainable options on holiday

*In the long-term, the current situation could give tourism businesses and coastal DMOs an opportunity to focus their strategies on marketing plans, quality of the product, environmental sustainability and the potential for structural changes in seaside resorts.*

### **What are the specific financial and Seasonality impacts?**

- Coastal tourism is still highly seasonal and despite a slight improvement to 'spread the season' over the last 5 years – 32% of overnight trips still take place in July and August and 29% of businesses generate more than half of their turnover in July and August
- Our economic impact modelling (updated after PM announcement 10th May) which assumes businesses can re-open in July shows **loss of tourism spend of £7.96bn for England or £10.35bn overall**
- 7% of businesses have already closed and Hotel Solutions predict 20-25% of accommodation could fail.
- Most coastal communities have c. 15-20% of employment directly in tourism, but it can be as high as 50%+ in places like St. Ives, Exmoor and Newquay (Centre for Towns Report)
- Consumer confidence is low - advance bookings generally slowed down as people wait to see if places really will reopen, under what terms, and to alleviate fears of insolvency of business – there are a few exceptions in family run hotels with very loyal guests who return year on year
- Most customers with cancelled breaks are moving bookings to later in year or 2021 – but this generates no new cash into business.
- 78.4% of businesses feel ongoing Government support (beyond existing measures) will make “a significant difference between survival and collapse”

### **How can coastal communities adapt to social distancing and increased demand?**

- There is unanimous support across businesses and destinations for national 'Kite-mark' or industry standard – set of guidelines to restore consumer confidence
- 84% of businesses plan to implement social distancing, 86% increase hygiene processes
- Many pro-active businesses and groups are already coming up with their own guidance –
  - Bournemouth Hoteliers – code of practice – hygiene, changes to guest experience, changing operation to 50% and Mon-Fri and Fri-Mon to allow 72hours between guests
  - Blackpool accommodation purchasing thermometers, changing service offer
  - Hotel restaurants to close to non-residents
- Small businesses in particular though have concerns **about availability and cost of PPE** – with small businesses requesting grants to support purchase of necessary equipment
- **The current situation with easing of lockdown but before re-opening of the hospitality sector sees an increase in public sector costs to provide toilets and other public services - without private sector economic benefit to the local economy**
- There are significant challenges for local authorities, National Parks and other land-owners opening toilet facilities, car parks etc – with staff furloughed or redeployed to other services
- **Key to recovery is to drive up consumer confidence** (without compromising safety)

### **Cost implications – if demand is likely to increase and capacity decrease – will prices go up?**

Initial feedback is that many businesses feel this is counter-intuitive although the commercial model would imply that some may pass increased costs onto consumers

- There are also other factors to consider
  - Many accommodation providers are already over-subscribed for summer now they need to reduce capacity due to social distancing
  - The product and visitor experience will be reduced – no / limited access to swimming pools, no evening entertainment, kids' clubs or other facilities will be reduced or not feasible
- Smaller B&Bs may take different approach if they switch to 'exclusive hire' and therefore different commercial model
- Concern by independent hotels that larger budget chains will drive down pricing
- Ultimately – “Depends on opening conditions, timing, business model”

### **How will coastal destinations cope with an influx of people and resident concerns over spreading virus?**

- Local residents are very concerned about increase in infection rates both in places where R rate is low and high
- Businesses are also concerned about spreading the virus
- Coastal towns have some of oldest populations in country as documented in ONS Coastal report in 2014, with 20% of the population of coastal communities 65+
- Considering the current re-opening process – many destinations have taken to saying “please don’t come yet”- the visitor experience isn’t available with attractions, hotels and restaurants closed – Dorset, Blackpool, Yorkshire all notable examples
- Other destinations are opening facilities as and when they can but not advertising it to visitors, providing an opportunity for locals to enjoy the beaches and coastal spaces

### **What has been the initial impact of relaxation of restrictions since 13th May?**

Feedback from over 15 DMOs around the country (representing significant part of coast) is that on the whole:

- Busier this weekend than in lockdown, in some cases busier than equivalent weekend last year but for other destinations c.20% lower than typical May weekend.
- Social distancing has been manageable
- Family groups have been enjoying the beaches
- Cycling, walking and running all adhering to guidelines along promenades
- Some businesses opening for takeaway services but queueing socially distanced and c. 30% lower turnover than equivalent weekend last year
- Few exceptions of really iconic landmarks like Durdle Door, Birling Gap – but key issue was car parking and narrow access points to footpaths and beach
- Other few exceptions places like Shingle Street, Hollesley Bay in Suffolk, very small locals beach, extremely busy with 389 cars on Sunday 17th May but still social distancing was good once on beach
- Since PM announcement – The Guardian reported increasing bookings in the camping sector with 135% increase on pitchup.com whilst campsites.co.uk said bookings still down 90% on 2019.

### **Do we expect the demographic of visitors to change? How will businesses and coastal destinations change to meet new demographics or will they just be looking to survive?**

#### **Prior to Covid-19**

- Main market for coast was over 55s = 36% of all overnight stays
- Under 35s just 21%
- Consumer research by BDRC during Covid - indicates that millennials will be first to recover with 51% likely to take a UK break and families (46%) alongside thematic groups like activity and adventure travel
- NCTA research identified millennials as potential ‘lost generation’ many unfamiliar with coastal offer, and now could be the opportunity to change perceptions, but investment is needed in right product for this market and some coastal areas are not ready at moment

#### **In terms of recovery planning**

- Almost all DMOs in coastal areas are looking at building local and regional engagement initially, then short breaks focused on millennials, families (young families initially then building on intergenerational families) and finally rebuilding over 55s market
- NCTA is supporting destinations to build recovery plans
  - 1) Local residents – launch Be a tourist in your own town
  - 2) Day visits from local counties
  - 3) Residential from domestic
  - 4) International

- Intelligence from NCTA business survey
  - 67.6% of businesses re-thinking product or marketing proposition
  - 40% of businesses increasing focus on local residents
  - 48.8% increasing focus on domestic overnight visitors
  - 34% increase focus on millennials
  - 11.2% decreasing focus on coaching and groups market
  - 19.2% reducing focus on international visitors for this year

**Many businesses also focusing on:**

- Adaptations needed to operate in terms of PPE, social distancing measures
  - Impact of social distancing on existing bookings and capacity
    - e.g. hotels considering changes to breakfast provision, check-in and cleaning, small B&B switching to exclusive hire or non-serviced accommodation, camp sites installing extra shower blocks and opening additional fields to spread campers out
  - Challenge of considering whether to open at loss to keep brand awareness up and business operational or actually commercially not viable and need to stay closed

**Longer term there are opportunities for:**

- Wellness – 1 in 5 taken a wellness break in last 12 months, 59% prefer coast, 8% now
- Sustainable – 35% consumers interested in taking holidays closer to home due to climate emergency
- Activity breaks – 49% interested in activity holidays (including walking, cycling, watersports), but awareness and bookability key barrier to growth

**Will the coast be popular in 2020?**

- Consumer studies (BDRC) show Rural Coast as #1 choice at moment, with seaside towns and harbour towns in top 5 of places domestic visitors would like visit
- BUT that's this year, and it depends when and how the sector can re-open
- IF 4th July, then re-opening is in time for the summer but **many businesses need to reduce capacity in order to implement social distancing measures**
- So, can coast fulfil the demand??
- Not sure at this stage – need further insight on reopening process and expectations of businesses from new VE standard and guidance on reopening
- 2021 – some feel may be good year for coast
- This was due to be Year of Coast but at the moment that is in serious jeopardy due to withdrawal of funding opportunities
- IF people can travel abroad – many believe outbound will have bumper year

WILL DMOs have the resource to pull together a cohesive campaign? – NOT at moment, they will need support and funding

**NCTA's Recommendations for recovery of coastal tourism**

FIRST and most important – as much notice and guidance as possible on re-opening process & timing!

**Coastal Businesses request:**

- ongoing support of furlough scheme, grants, rent relief, licencing rebates, VAT
- Grants to support costs to install PPE and social distancing measures
- safe, fair and legal playing field – Airbnb and OTAs opening before 4th July

DMOs – need core funding and there are calls for the review of the structure of DMOs in England (Tourism Society) and Government funding for domestic marketing and domestic tourism strategy

**BUT KEY for the coast to recover is investment in a 3-year (minimum) programme of support until 2023 to #build back better and get the economy back to pre-COVID levels:**

- With a collaborative approach across all stakeholders, strong leadership and coordinated at a national level, sharing best practice and supporting local communities
- Business support programme for diversification of product and now is opportunity to really address seasonality – in order to do that we need investment in:
  - Consumer Research
  - Product development
  - Training – particularly digital and visitor experience
- Marketing support for layered joined-up campaigns to rebuild the nation's love of the coast and kick-start environmental and economic recovery
  - 41% would be more likely to visit the coast if was wide range of events (YOC)
  - Leading in to support for international programme to build on the Discover England Fund investment to date through England's Coast
- Strategic leadership of coastal issues and government support to deliver change
  - reinstate cross-party coastal group
  - follow up of the Lords' recommendations for continued Coastal Communities Fund programme in England
  - support for Coastal DMOs and organisations like ourselves to deliver change