

Tourism Product and Customer Experience Strategic Review

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Summary Report

Important notice

This summary report has been prepared only the Committee for Economic Development, Raymond Falla House, Longue Rue, St Martin, Guernsey, GY4 6HG and solely for the purpose and on the terms agreed with the Committee for Economic Development in our agreement dated 2 October 2017. We accept no liability (including for negligence) to anyone else in connection with this document, and it may not be provided to anyone else.

This report is compiled with summarized extracts drawn from our final report. It has been prepared solely for the purposes of discussing the report at the Committee meeting on November 23rd to provide you with feedback from the interviews with stakeholders and our own review of the Island's tourism product offering gained through visits and review data.

These extracts do not constitute the complete findings and analysis conducted by PwC and the final report takes precedence. Stakeholder feedback and some opinions / initiatives presented do not constitute recommendation by PwC and should not be relied on by the State.

Summary Terms of Reference

Objectives

- The key tourism strategic initiatives
 1. Strengthen the connectivity to the Island
 2. **Improve and broaden the Island's product offering**
 3. **Develop an exceptional visitor experience**
 4. **Develop a positive environment for growth and investment within the industry**
 5. Develop marketing and messaging that is consistent and compelling

The Issues

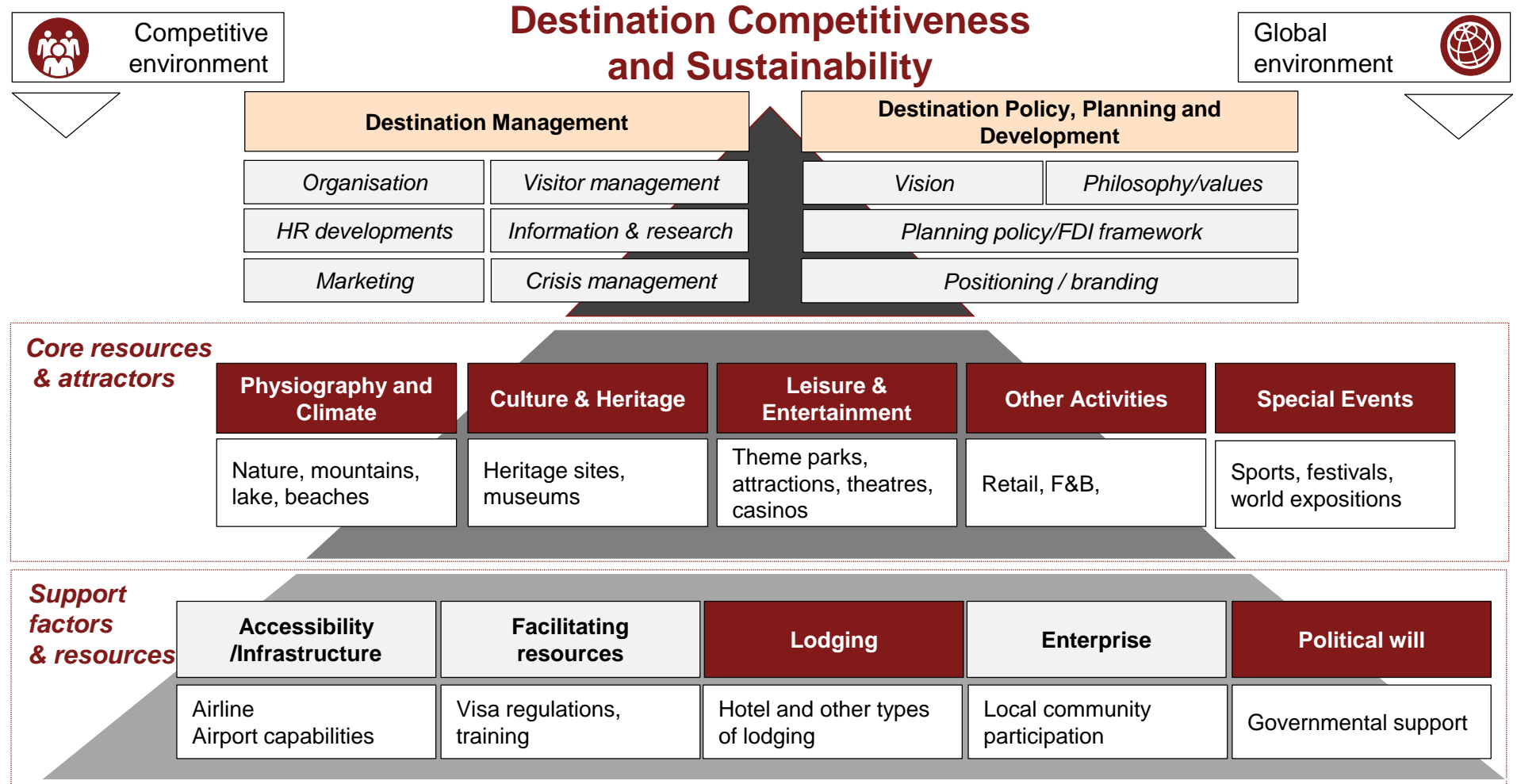
- **Visitor** numbers have continued to **decline**
- **Transport** connectivity has worsened and become too **costly**
- Insufficient **quality and breadth** of attractions and experiences
- **Hotel** beds decreasing and a number closing
- **Private** sector appetite to invest or partner limited

Key Requirements

A Product and Visitor Strategy:

- Assess appropriateness of current **target market** and future markets
- Review the '**product**' offering the fit to target market
- Review other **key visitor experience enablers** impacting tourism
- Assess **barriers/enablers** to development and investment (e.g. regulation, policy, funding)

Tourism Products fit within an overall framework of infrastructure enablers, DMO and strategic policy



Notes: FDI = Foreign Direct Investment

PwC have consulted with a wide range of stakeholders and gathered insights from multiple sources

Interviewed c.28 stakeholders in the tourism sector

Visited key tourism attractions (c.20), hotels and self-catering establishments (15-20)

Analysed internal data provided by the Economic Development Department and gathered external insights and benchmarks

Interviewed selected external and PwC market experts

Market trends support the strategy to target higher spending Baby Boomers including those in Europe and the US



The Baby Boomer and the Swing generation market (50+) represents approximately **44% of the UK outbound travel volume and 48% of the total spend, displaying high growth**. This demographic is the **wealthiest** and has **low price sensitivity**



Gastronomy, culture, wellness and activity holidays are growing trends in the travel market, especially for Baby Boomers



The UK **independent** and **bespoke package** holiday has been growing at a faster rate compared to the **traditional packaged holiday** market, and is forecast to drive future growth



The **cruise market** is expected to continue to grow, driven by aging population, penetration into younger segments and increased spending



US tourists are one of the largest inbound groups into the UK and are also in the core age range. Many seek two centre holidays combining London with **one other destination**



The **European visitor market** appears **underexploited**, particularly the **French market** and its connection to **Victor Hugo**, with **cheap sterling** attractive to other source countries

Tourism stakeholders acknowledge that Guernsey is facing a significant challenge largely solvable by actions within its control



Connectivity

Current position of high cost and reduced frequency **highly detrimental**. Without a resolution it is **unlikely that tourism growth** can be restored and can flourish



Product offering and visitor experience

Island had **no stand out offering**. Main attributes are its scenic beauty and 'quaintness' combined with being safe, good for walking and eating out. Offering and experience has become **stale, shabby** and **out of date**. **Military Heritage** is under exploited and under invested. **Bailiwick Island** archipelago is under marketed. General agreement that the **harbour** needs redevelopment.



Accommodation

Weaknesses with range and some poor quality through under investment, with particular gaps in high end **boutique** and **mid scale** range. **Disincentives** to invest in a weak and uncertain market. The restrictions on **home rentals** could be relaxed to provide **flexibility** and competitiveness. **Staff retention** a major challenge



Government strategy, Policy & Regulation

Lack of strategy and ambition leading to inertia, indecision and protectiveness. Key restrictive policies are the **current planning and change of use** rules. **People Management** policies are causing uncertainty. Too much **bureaucracy** involved leading to the complexity of getting decisions made. The States is **not best placed** to manage the tourism assets they do

Without a stand out attractor, it is the quality of the overall guest experience and ‘journey’ that will drive tourism



Overall Product and Experience Context

- Without a **stand out attractor**, individual ‘products’ alone will not drive tourism.
- Rather it is the **overall guest experience** and ‘**visitor journey**’ that is critical, encompassing numerous elements to make for a quality and fulfilling **holiday/destination**.
- Guernsey needs to **really focus** on those parts of its offering that best meets its target market expectations
- **The Baby boomer market seeks** high quality experiential, often short break, holidays encompassing a range of products with priority on **activity, culture and heritage, and gastronomy**.

Through much clearer **branding**, and **selective development and improvement** across much of the key product base, could Guernsey differentiate itself from Jersey in particular and become part of a core UK and European short break destination?

We assessed Guernsey's tourism 'assets' and prioritised the initiatives based on attractiveness to target market

c.16 Products assessed

Key products assessed:

- *Sun and Sand*
- *Heritage*
- *Military and Occupation Sites and Museums*
- *Non-military Museums*
- *Sister Bailiwick Islands*
- *Architecture / Infrastructure*
- *Culture &*
- *Art & Sculpture*
- *Soft activities*
- *Festivals and events*
- *Food and Beverage*
- *Retail*
- *Botanical gardens & parks*
- *Hard activities*
- *Wellness*
- *Entertainment*
- *MICE*

...assessment based on several criteria

Product offering assessment criteria:

- *Relevance to target market*
- *Quality of curation*
- *Engagement / interactivity*
- *Facility upkeep / presentation*
- *Average dwell time*
- *Value for money*
- *Signage*
- *Disability access*
- *Availability of parking*
- *Information availability and quality*

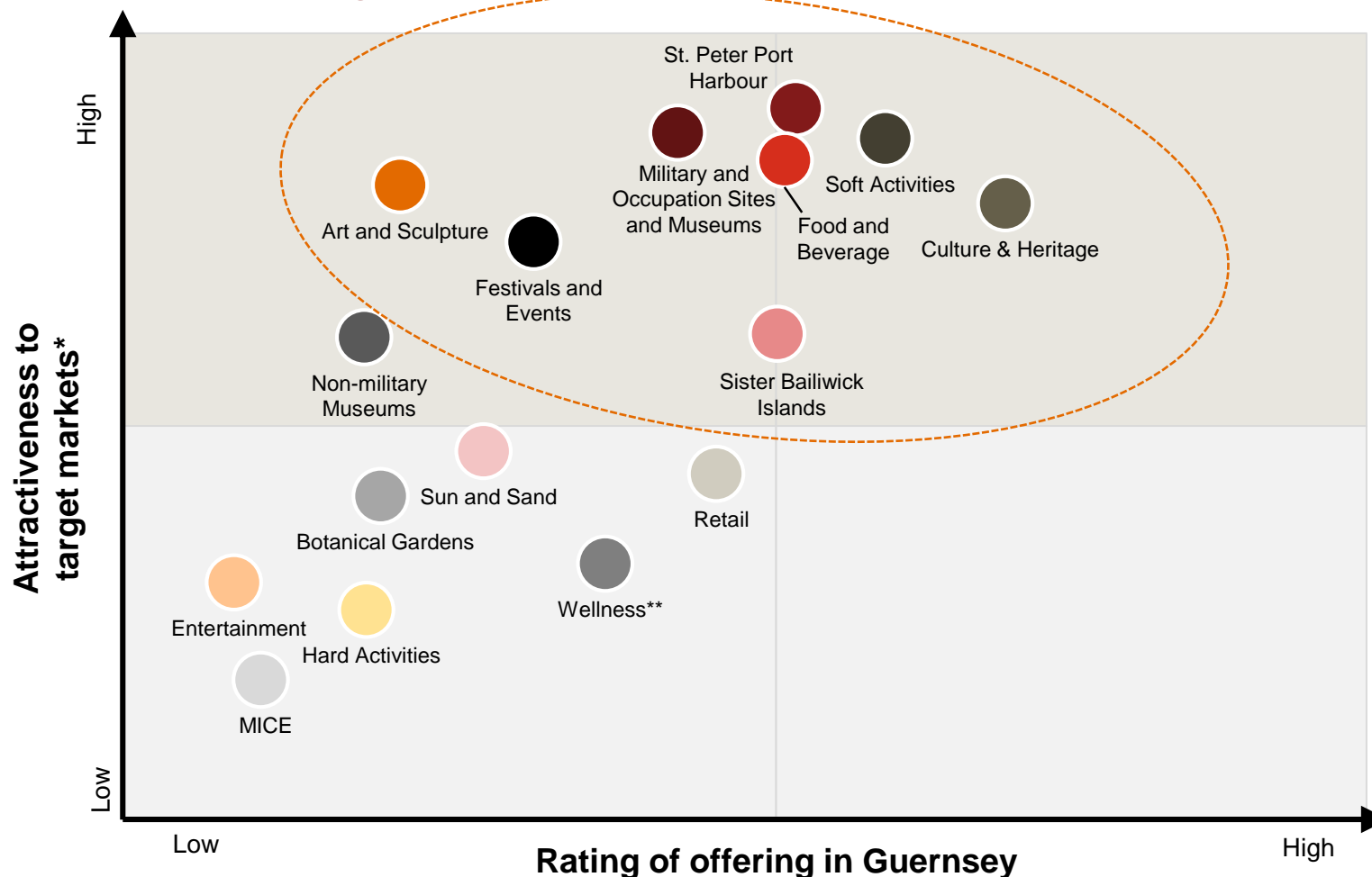
We also gathered information from other sources which informed the prioritization of initiatives

Additional sources of information:

- *Stakeholder interviews*
- *External insights and benchmarks*
- *Interviews with selected market and PwC experts*
- *Visitor surveys conducted by the States of Guernsey*





We have identified a number of product offerings for improvement to attract the target market and enhance visitor experience

Tourism product offering








Note: *Rating is assigned in the context of the product's appeal to the target tourist and as a tourism offering. ** Wellness covers SPAs and resort type retreats. Walking is covered under Soft Activities

Priority product development recommendations

<p>Greater activation of Castle Cornet</p>	<p>Centrepiece heritage site but it is significantly under activated. Local area poorly presented. Museums well curated but are not a major draw. Opportunity to be sympathetically developed to be more ‘alive’ and distinctive as with many benchmarks. Conversion with a mix of F&B, tailored retail, shows and markets and potentially a unique boutique hotel.</p>	
<p>Redevelop St Peter Port harbour</p>	<p>A huge underexploited space. Potential to be regenerated as vibrant leisure and commercial area which would also benefit tourism and cruise. Viability will be primarily dependent on the long term economic case (business and residential). St Peter Port itself is well placed to be the lead attraction in the city orientated short break destination market.</p>	
<p>Military Heritage, Defence & Occupation</p>	<p>The Island's main ‘story’ and it is relatively unique. While not a sufficiently compelling stand alone attractor, these assets need to be much better managed, packaged and presented to impact the overall Island experience. Need to have a cohesive narrative, improve the signage and accessibility, modernise many sites and develop some sites into alternative leisure use. The Occupation Museum is an important attraction for Guernsey.</p>	
<p>Other Heritage and Culture</p>	<p>Focus on exploiting international literary icon, Victor Hugo. Invest in more events, give more exposure to key sites on the Island to project its Anglo French heritage. This has proven appeal to the French market and will be of interest to the UK and US markets</p>	

*The Guernsey Literary and Potato Peel Pie Society

Additional product development recommendations

Bailiwick Islands	Attractive and potentially differentiated but underexploited proposition. Opportunities exist to better activate the sea aspect with more day cruises, dolphin and bird spotting etc. Visitor transit experience is poor , in particular the parking arrangements which are highly restrictive.	
Activity / Wellness	Relative to UK , the activity offerings are not stand out , though can form an attractive part of an overall 'health and wellness' package. The most important is walking , which could be much better leveraged including more events (e.g. challenges) and much better signage. To attract the main wellness market will be challenging as requires hotels to lead investment.	
Events	Current events appear well received , mainly resident base and may not yet be sufficiently differentiated to become established as a tourist draw. Sports events can be expensive to host with limited tourism legacy. Potential plans to develop an Art & Sculpture proposition on the Island are interesting and fit well to the core target market.	
Other Products	Most other products are too small in scale to attract tourists, being more local amenities. No feasible business case for any large scale 'theme park / family entertainment' type attraction as insufficient local population to provide base footfall.	
Visitor experience	Many improvements required. Key is flexibility of transport and parking. Signage , particularly for tourist activities, is weak or non existent. Marketing appears weak, opening hours limited out of season. Some facilities (toilets, disabled access etc.) are not available .	

The accommodation mix is unbalanced and appears to be suffering. To address target market high quality offerings needed across the range

Performance	Overall weak , with declining number of beds and stagnating occupancy rates except in high season. Limited swing flexibility that would have been historically offered by guest houses and B&B of which there are few.
Range & Quality	While the mix of hotels and self catering by star rating appears appropriate many of the hotels are not of a quality to meet the target markets' more modern expectations. Restrictions placed on Airbnb type letting could be relaxed to provide more flexibility and address visitor expectations for this type of accommodation.
Future offering	More high quality boutique hotels as well as quality budget hotels. ' Heritage hotels' (conversion of unused State assets) are an attractive proposition. Wellness can be bettered leveraged to include activities such as walking in a 'health & wellness' package.
Liberating planning	Relaxing the Change of Use rules could lead to a rapid decline in bed stock given value arbitrage between hospitality and residential use and impact requires further study in conjunction with housing requirement. Market forces will ultimately lead to a reorientation of accommodation to enable overall commercial viability in the current market.

Funding and structure mechanisms and policy

Large Infrastructure

Port and Heritage site development and regeneration has been **successfully achieved** in other places such as Plymouth and Portsmouth with **PPP** (partnerships between public authorities, who own/lease the sites, and private developers, financiers and operators).

Heritage and Museums

Similar PPP models can be applied for **the potential redevelopment of the States' heritage properties** into retail and hospitality businesses. There is an opportunity to both inspire more innovation in presentation and use of assets and **unlock domestic donations** through the creation of a '**charitable foundation**' to include a number of key assets, as used in the UK with the successful creation of **Historic Royal Palaces** that includes the Tower of London.

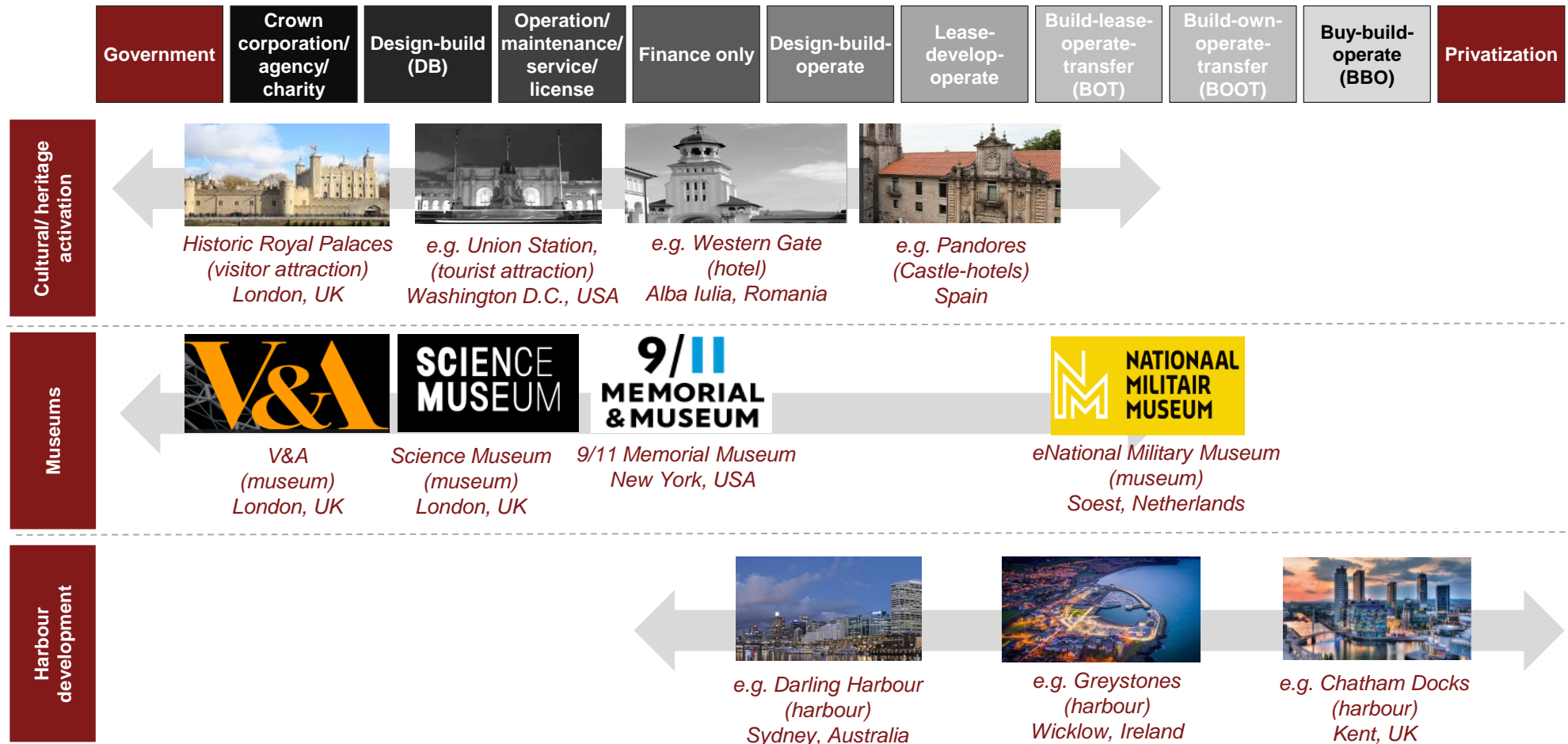
Supporting Entrepreneurs

There is a **lack of small hospitality and leisure enterprises** providing interesting activities; Potential difficulty of getting planning, funding and business support. Other countries have created **public funds** specifically designed to provide low cost funding and support to entrepreneurs.

Policy

We recommend a detailed study **into the economics** of the hospitality accommodation and housing sector today. There may be options to **secure undertakings and contributions** from developers. The impact of **population management** policies need to be better understood, in particular whether it is the policies or exchange rate causing more harm to the sector.

The most common mechanisms for cultural/heritage developments are maintaining state ownership but outsourcing management



Source: Publicly available sources, Getty Conservation Institute, IFC

Case Studies

Activating the harbor area around Castle Cornet would create a more compelling tourist destination

Illustrative

What makes a destination?

A destination includes **multiple components in close proximity** to each other, such as leisure attractions, hotels, and cultural attractions.

Destinations are **more appealing than standalone attractions**, as they attract a larger number of visits (multiplier effect) and increase average dwell time and spend per visit.

1

Multiplier Effect

Having multiple leisure components in close proximity increases footfall to each individual component



2

Longer Stays per Tourist

Encouraged by a wide range of leisure activities and accommodations available



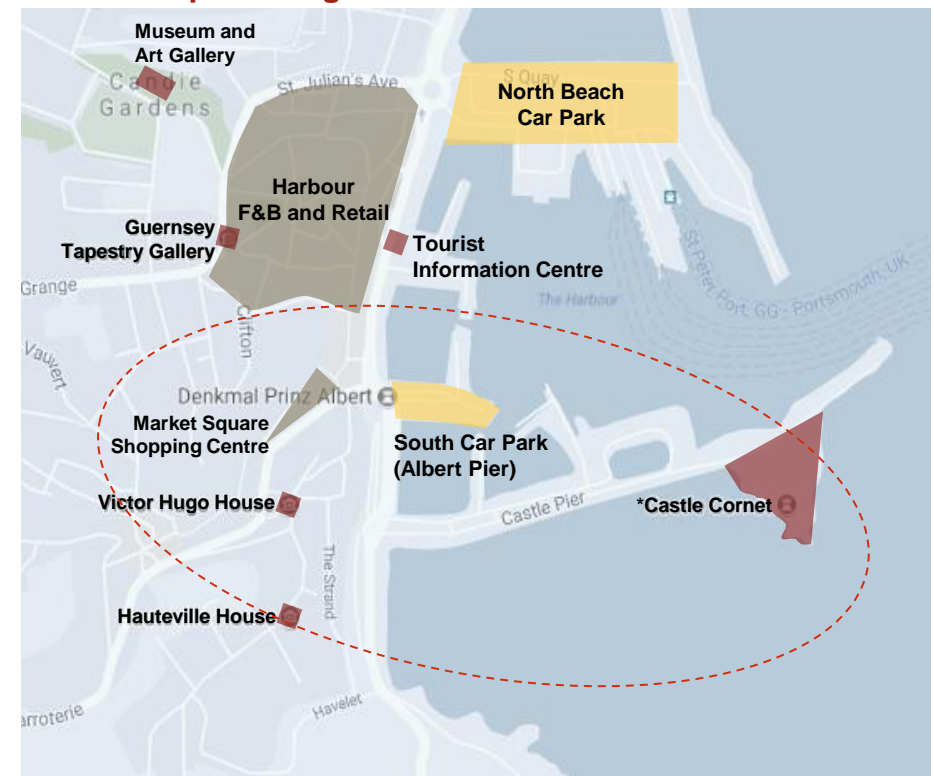
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Complimentary Revenue Sources

Opportunity to gain revenue from ancillary offering e.g. retail, food and beverage









Initial phase of harbour regeneration could focus on the area around Castle Cornet but can be significantly expanded across much of the industrial and parking spaces. Development could contain a mix of hotel, some high end residential, with space for restaurants, bespoke retail and space for galleries



Source: World Bank, UN World Tourism Organization, Las Vegas Conventions and Visits Authority, PwC Analysis

The States owns many unused heritage assets which can be regenerated/converted into successful tourist destinations

Examples of successful regeneration/conversion of historic sites

	Former Use	Current Use	Critical success factors
CHIMES Singapore	Catholic church and convent 	Alfresco Venue, Dining, Art Gallery 	<ul style="list-style-type: none"> ✓ High occupancy (c.90% in 2016) ✓ Part of the National monuments of Singapore ✓ Commercially attractive (complex valued at c.£362m) ✓ Key tourist and resident attraction
Residenza Torre Colonna Rome	Medieval defense tower 	Luxury Boutique Residence 	<ul style="list-style-type: none"> ✓ Unique offering with strong novelty value ✓ High customer reviews (9.1 on booking.com, 4.8/5 on Expedia, 5/5 on TripAdvisor)
Tate Modern London	Bankside Power Station 	Contemporary Art Museum 	<ul style="list-style-type: none"> ✓ Iconic landmark and synergy with contemporary artwork ✓ Significant increase in footfall, from c. 2.5 million visitors to 5+ million visitors a year

Source: Public Information; Perennial Annual Report 2016

Heritage sites could also be converted into unique self-catering accommodation, similar to examples in Jersey

Example of heritage assets converted into self-catering accommodation in Jersey

Fort Leicester



- 19th century fort
- Sits above the harbour of Bouley Bay
- Offers access to a private garden and terrace
- Sleeps 8
- From £23pp/night

Elizabeth Castle



- Castle apartment
- Sits one mile off the coast of St Helier
- Surrounded by the sea twice a day
- Sleeps 6
- From £32pp/night

Kempt Tower



- The historic Martello Tower
- Restored with all modern conveniences and fully equipped
- Sleeps 12
- From £15pp/night

Seymour Tower



- Sits two miles offshore
- Surrounded by sea twice a day
- Opportunities to explore Jersey's marine wilderness at low tide
- Sleeps 7
- From £350/night

La Crete Fort



- Situated on Jersey's north coast
- Surrounded on three sides by the sea
- Sleeps 5
- From £31pp/night

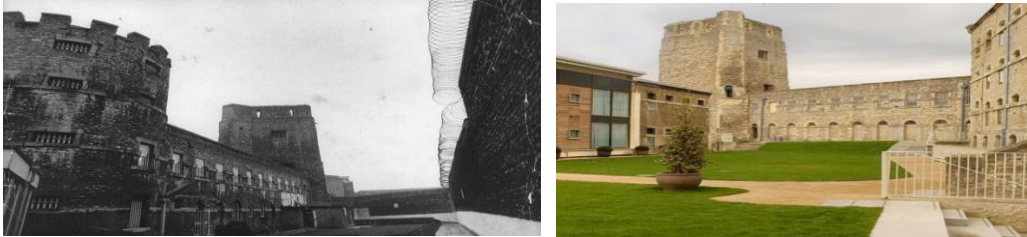
Radio Tower



- Set on a cliff top overlooking Corbière lighthouse
- Built over six floors, the establishment offers a 360-degree view
- Sleeps 7
- From £32pp/night

Source: Jersey Heritage, pricing in November 2017

Oxford Castle is an example of a successful heritage site regeneration through public-private partnership



***20+ year
leases***

***Sustainable commercial use
through long-term leases***



200+ jobs created



Occupancy rates



***Visitor attraction provides a full
interpretation
of the site's history and heritage***

Overview

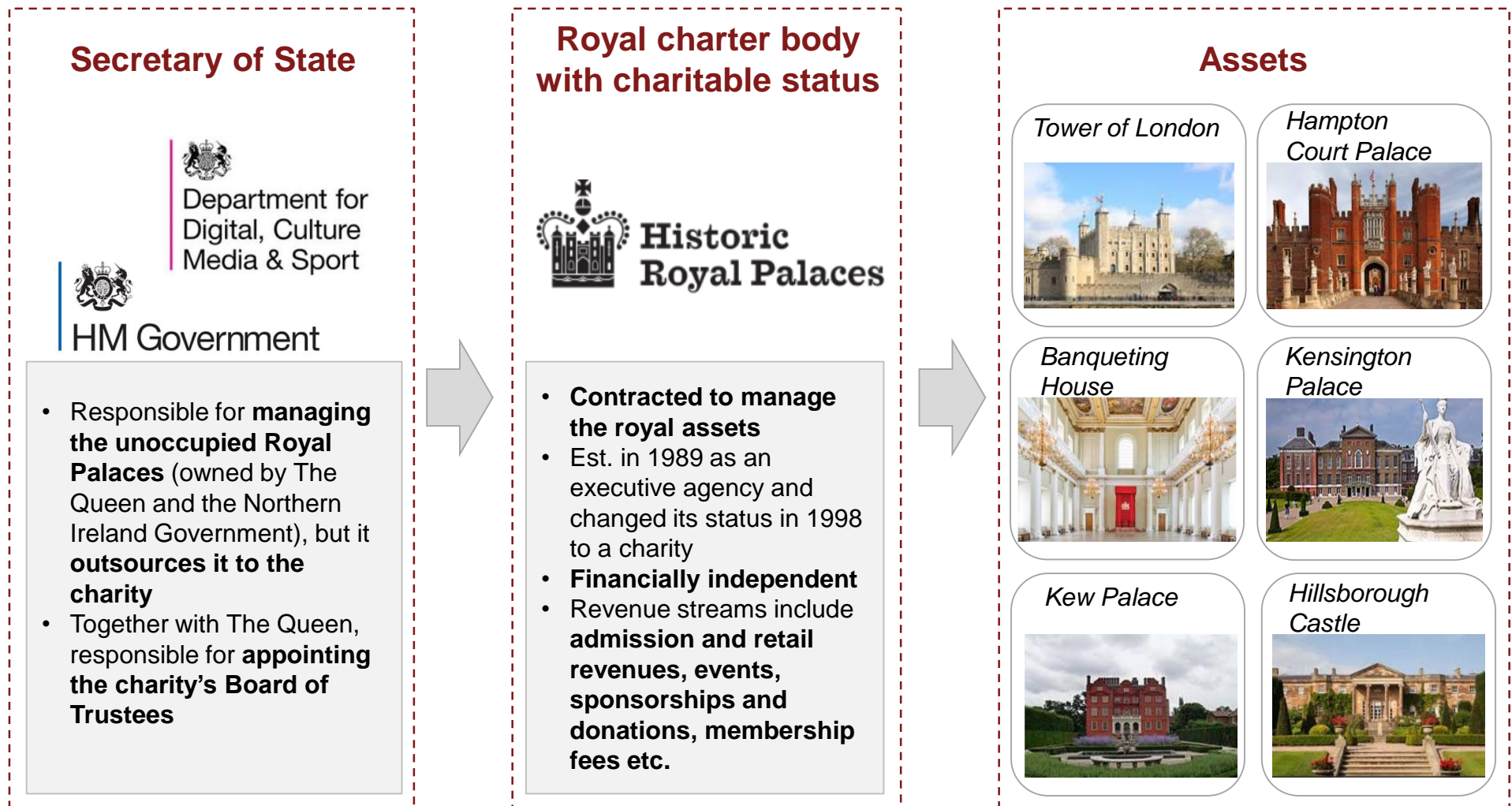
- The Oxford Castle Heritage Site is a 5-acre redevelopment occupying the remains of Oxford Castle, previously owned by the Home Office and used as a prison.
- The 10-year project regenerated the site into a mixed-use development comprising of an art gallery, hotel, heritage attraction, and F&B options. The total project cost is estimated at £44.5mn (c.£1,765/m²) and was completed in 2006

Objectives of the regeneration

1. Restore and conserve the heritage assets
2. Maximise public access to and through the site
3. For whole site to be developed, managed and recognized as a single entity
4. Encompass sustainable commercial use and a full interpretation of the site's history and heritage
5. Deliver at minimum risk and cost to council tax payers

Source: The Prince's Regeneration Trust, PwC Analysis

Historic Royal Palaces is an example of a successful creation of a quasi state owned charity that is financially independent



Source: Publicly available sources, Historic Royal Palaces annual report, The National Archives