



# York Tourism Accommodation Study

For City of York Council

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Brackenhill, St George's Place,  
York, YO24 1DT  
01904 632039

Dephna House, 24-26 Arcadia Ave,  
London, N3 2JU  
0208 8191397

[www.qaresearch.co.uk](http://www.qaresearch.co.uk)  
Company registration: 3186539



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Approved by: Nick How & John Gallery  
Authors: Nick How & John Gallery  
Comments: To [nick.how@garesearch.co.uk](mailto:nick.how@garesearch.co.uk)



This research has been carried out in compliance with the International standard ISO 20252

## I. Executive Summary

### Current tourism accommodation provision in the City of York

- York has 465 tourism accommodation properties with approx. 6363 bedrooms and 14,473 bed spaces in the city.
- Of the 56 hotels, one is a five star hotel; 11 four star; 16 three star; seven two star, five budget and the remainder not graded or self-graded. (VisitEngland/AA grading)
- There are 178 bed and breakfasts accommodation providers. Four are five star\*; 44 are four star\*; 17 three star\* AA or VisitEngland graded and the remainder ungraded or self-graded. B&B accommodation has reduced by 27% since 1999 replaced primarily with growth in budget hotels. (\*Note these are B&B star ratings not hotel)
- Other accommodation consists of 31 campsites; 21 inns; 161 self-catering and serviced apartments and 14 campus and hostels, the majority of which are graded.

### Visitor profile

- Of the seven million visitors per year, 22% are overnight stays.
- Six million are leisure visitors and one million business visitors.
- 85% of visitors are from the UK and 15% from overseas.
- Overnight visitors stay an average of 3.3 days in York.

### Occupancy and room rates

- Occupancy % has remained largely constant at around 77% (Range 74.5% - 79.5%) in the six years 2008 to 2013.
- This is against a background of 20% increase in hotel bed spaces in the same period. (4509 in 2008 and 5408 in 2013).
- RevPar has similarly remained fairly constant over the same period at around £52.24. (Range £50.76 to £55.22).
- This suggests that the market for overnight stays has increased in York broadly in line with the increase in hotel bed spaces.
- Whilst the overall pie has grown, individual properties have seen their revenues remain steady which means that individual hotels have not experienced a rise in revenues from which they can reinvest.

### Comparisons with other cities (Five year averages)

- York compares favourably against other cities for occupancy at 77% with Bath 73.1%; Cambridge 76.1%; Chester 72.1%; Edinburgh 74.8%; Leeds 72%; Oxford 75.6% and Stratford-upon-Avon 66.2%.
- The room yield for York also shows it has remained fairly steady and below that achieved by hotels in many other heritage cities:
- RevPar in York is not as strong as other cities at £66.58. Bath £88.98; Cambridge £73.64; Chester £66.82; Edinburgh £86.36; Leeds £62.67; Oxford £88.61 Stratford-upon-Avon £74.76.
- This suggests that the other cities are attracting overnight visitors who are willing to pay more for accommodation and by inference contribute more economic value in general to the local economy on other things than those staying in York.

## National Trends

- Occupancy rates across the UK have remained largely unchanged in the period 2008 – 2012. Range 72.9% - 74.4%; Regional UK (excluding London) Range 68.4% - 70.6%; England Range 67.4% - 70.1%.
- Average room rates (RevPar) averages in the same period: All UK £96.69 (Range £97.12 - £101.54); Regional UK (excluding London) £70.24 (Range £75.19 - £68.41); England £69.07 (Range £74.38 - £67.13). London £143.44 (Range £128.57 - £157.92).  
*(Note: London increase distorts overall UK figure and is not reflected in the regions – York averages remained steady and qualitative research suggests hoteliers needing to discount at some times to fill rooms – over supply at times and difficult to charge premium rates.)*
- The most recent British Hospitality Association Trends and Developments Survey reveals that there has been a significant increase in hotel development and refurbishment in 2011-2012.
- Some forecasters see the UK GDP recovery as heralding good news for the hotel sector as historically there has been a close relationship between RevPar and GDP growth.
- Overseas demand is expected to grow at a strong rate of 6.1% with Yorkshire a strong destination following the exposure of the Tour de France Grand Depart.
- VisitEngland reports growing confidence returning to the market with an expected 3% real term growth in domestic tourism and a renaissance in the ‘staycation’.

## Proposed developments

- Developers see York as a highly attractive location to develop tourism accommodation.
- Comments from developers and agents express views that York’s overall visitor offer should include higher-end options that will meet higher quality expectations.
- Many interviewees in the qualitative research believe that York can attract a greater proportion of higher spending visitors by further developing the visitor experience.
- A higher proportion of business visitors could provide increased value rather than increasing leisure visitor numbers.
- Developers suggest a greater focus on conference and meetings and to attract more corporate businesses to the city.

## Quality and Value

- Doubling the value of tourism in the City, which is seen as an admirable ambition, and it is our view as well, can be achieved through the supply of higher value bedstock, but that should follow an increase in demand.
- There should be a balance between higher value/higher spending visitors in order to increase value but the stated higher value ambition will be not achieved through higher volume which would put excessive strain on infrastructure.
- All interviewed respondents have expressed in different ways the importance of quality and value.
- There is a big attraction for hotel sites by developers but most cite the need for the city’s ‘offer’ to target audiences that will help attract the desired higher spending visitors.
- Changing the mix of customers to the city is identified as the key to achieving the desired outcome of a doubling of the value and that ‘quality’ throughout the visitor experience is needed in addition to higher end accommodation.

## Untapped Market

- Accommodation providers clearly see mid-week as their weakest demand.
- Stimulating demand at these times would support additional revenue but would also increase volume.
- To create a 'shift' in the mix would have the greatest impact on value and therefore business travellers and the meetings and conference market are the most lucrative sources of untapped market for York.
- Attracting new business from these sectors is likely to create some displacement of lower-earning segments but would result in higher overall value.
- Encouraging more overseas visitors to make York a longer part of their UK visit will also increase overall length of stay and support the increase in value.
- Marketing to overseas audiences would be complementary for both leisure and conference markets especially in the light of the emerging 'bleisure' market that involves combined business and leisure trips.

## Conclusions

- York is an enviable destination for its successful visitor economy but increasing the current 7 million visitors could create more issues than it solves and the desire to increase value rather than volume is a sensible ambition.
- Attracting the same mix of visitors to York as at present will not achieve the ambition, i.e. to double the value, and therefore requires a 'market shift' that would lead York to attract higher-end accommodation developments and other quality tourism offers.
- Existing sites have potential to attract more of the business and conference market (Racecourse/University/Barbican Centre) with potential development sites identified for new purpose-built facilities for this market for longer-term growth of the sector.
- Initiatives to attract more overseas visitors can be implemented without capital investment but as a clear target for the City's partners in its marketing strategy.
- Existing operators may need support in making this 'shift' as higher value spenders will demand higher quality surroundings and service.
- 'Positioning' York and its offer to achieve the 'doubling in value' ambition will take some people out of their comfort zone, therefore communicating the long-term benefits should be undertaken along with other support to assist current providers to benefit from these opportunities.
- New developers should be encouraged to create high-end properties in order to support the quality and value policy.

## 2. Introduction

The York Tourism Strategy states *“our aim is ambitious but realistic. Starting from our current baseline and working through co-ordinated sector action plans, we believe we can deliver a doubling of the value of tourism to the economy [by 2023]. This means a £1 billion industry creating an additional 2,000 high quality jobs”*.

There is a recognition that an increase in value will be delivered by encouraging more overnight visitors, extending the length of these overnight stays and tapping into emerging markets.

The focus of the strategy is on increasing the economic value from visitors rather than doubling the volume of those visiting.

With a desire to attract more overnight visitors City of York Council require evidence to assist in making appropriate decisions on planning applications for tourism accommodation and help support proactive attraction of new tourism accommodation to fill gaps where necessary.

## 3. Aims and objectives

The objectives of the research project are to:

- Verify the existing tourism accommodation stock in the city
- Determine current and estimate future levels of demand for tourism accommodation
- Clarify and confirm current volumes and values of occupancy and achieved rates
- Identify market trends which may impact on the York Tourism Strategy
- Compare the supply of hotels in York and their performance to other historic cities
- Identify potential sites for hotel development
- Explore drivers to market growth
- Determine what is required to deliver the stated aims of doubling the value of tourism

## 4. Methodology

The research has comprised two strands.

### Secondary desk research

Evidence compiled from a range of other reports to put the research into a wider industry context.

### Qualitative depth interviews

Qualitative depth interviews, each lasting around 30-45 minutes, with representatives from different audiences working within the tourism accommodation industry, both within and outside York.

Throughout the report the qualitative research findings are shown in a highlighted box to differentiate these from the secondary desk research data.

Respondents from the following sectors were interviewed:

Research audience	Number of interviews
Hotel owners and general managers of individual hotels, guest accommodation, apartment and other self-catering accommodation in York and district	14
Senior decision makers at major hotel groups, management contracting companies and marketing consortia	4
B&B / guest-house owners operating in York	4
Licensed hotels, pubs and restaurant property specialists	3
Regional and national property development companies	2
National and regional destination management organisations	2
A selection of the major Online Travel Agencies and local, regional and national and international event management companies	3
York based corporate companies (suggested companies and contact details provided by CYC)	3
Self-catering, serviced apartments	2
Other stakeholders	3

In addition a ‘drop-in clinic’ was in place at the Yorkshire Hotel Show (February 18<sup>th</sup> and 19<sup>th</sup>) to enable those with an interest in visitor accommodation in the city to give their opinion on the future mix of tourism accommodation required to achieve the stated strategic aim.

## 5. Key findings

### 5.1 Current profile of visitors – a UK context

#### The UK picture – overseas visitors

The numbers of overseas visitors to the UK has remained fairly constant over the last 5 years (a total of 31,888,000 in 2008 and 31,147,000 in 2012).

The proportion of overseas visitors visiting for different purposes is shown below<sup>1</sup>:

Purpose of visit	2008 ('000)	2012 ('000)	% change
Holiday	10,923	11,953	+9.4%
Business	8,124	7,385	-9.0%
Visiting friends of family	9,727	9,013	-7.3%
Misc	3,113	2,796	-10.2%
All visits	31,888	31,147	-0.2%

#### The UK picture – overseas business visitors

The figures below give an indication of the market for overseas business tourism, with figures based on nights (as '000) shown first for Yorkshire as a fraction of the total for England<sup>2</sup>.

Business purpose	2007	2008	2009	2010	2011
Trade Fair / Exhibition	12	31	26	11	4
	946	1,194	626	831	839
Conference / Large Meeting	134	81	165	114	87
	4,179	3,893	3,390	3,650	4,093
Other Business	746	1,072	928	753	693
	27,288	26,346	19,742	20,804	23,496
Total nights (000)	892	1,184	1,120	878	784
	32,413	31,432	23,758	25,286	28,427

<sup>1</sup> Figures from International Passenger Survey, ONS

<sup>2</sup> VisitBritain Insights – Regional Business Tourism Data



## The UK picture – domestic visitors

At a national level the trends in domestic tourism show a generally positive picture in terms of the average annual percentage change in various metrics between 2008-2012 (although it should be noted there have been peaks and troughs from year to year rather than a steady linear increase)<sup>3</sup>.

- +2.61% average increase in tourism trips taken in Great Britain by British residents
- +1.52% increase in number of nights
- +4.66% increase in spending
- -1.05% decrease in average number of nights per trip (in 2012 this was 3.08)
- +1.96% increase in average spend per trip
- +2.95% increase in average spend per night (in 2012 this was £62)
- +2.32% increase in number of nights stayed for leisure / pleasure visitors
- +1.91% increase in number of nights stayed for business / work

## The UK picture – domestic business tourism

15.9 million overnight business trips were made in England in 2012, 3% up on 2011<sup>4</sup>.

While business trips tend to be shorter in length than other trip types, they account for a high average spend per trip (£236 versus £187 for all English trips).

Business visitors spend on average £102 per night and £236 per trip – with an average length of stay of 2.32 nights.

More than three quarters of business trips include a stay in a hotel (vs. only 36% of all trips) – one of the reasons for the higher than average spend.

Business trips are spread more evenly throughout the year than the average.

Average trip length was 2.32 nights in 2012.

The number of overnight business trips in Yorkshire & the Humber in 2012 was 1.5 million accounting for £320 million of spend.

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<sup>3</sup> Figures taken from GB Tourist Statistics 2012 page 19 – Visit England

<sup>4</sup> All figures in this section are taken from VisitEngland

[http://www.visitengland.org/Images/England%20Business%20Trips%202012\\_tcm30-38204.pdf](http://www.visitengland.org/Images/England%20Business%20Trips%202012_tcm30-38204.pdf)

## 5.2 Current profile of visitors – York

### Overview of visitors to York

York attracts 7 million visitors<sup>5</sup> (which has remained consistent with previous research in 2008) of which 22% are overnight stays and 78% day visits (the proportion of overnight stays has increased from 17% in 2008).

As a comparison to other cities 74% of visitors to Stratford upon Avon<sup>6</sup> were day visitors, 79% of visitors to Bath<sup>7</sup> were day visitors and 80% of visitors to Cambridge<sup>8</sup> were day visitors.

6 million visitors were classed as leisure visitors and 1 million as business.

This figure is in line with figures for the purpose of domestic trips in Great Britain by UK residents (15% of all domestic visits in 2012 were for business/work)<sup>9</sup>.

#### Qualitative findings:

York is viewed by both those inside and outside the city as a special, different (and even unique) destination providing a good visitor experience (even though many respondents living and working in the city felt the existing offer could be refreshed, polished and further enhanced).

The city is strongly associated with history and heritage, which are themselves synonymous with quality. These are considered by operators to be the key reasons why visitors want to visit York.

*“Heritage, culture, history, architecture, tourists, the river, tourist attractions, Romans, Vikings, the Minster, all the key tourist attributes, the race course, they are the things that come to mind” – 4\* hotel*

*“Leisure, Tourism, Rowntrees, Racecourse, the river. York is one of the ‘must see’ destinations along with Edinburgh, Oxford, Cambridge” – Hotel developer*

*“Vikings, Minster, Flooding, Archbishop, Tourists” – Hotel developer*

York is considered to have a strong set of ‘ingredients’, which attracts visitors.

The majority of visitors (85%) interviewed in the latest VisitYork Visitor Survey were from the UK with 15% from overseas, which is very much in line with the proportion seen in previous years<sup>10</sup> (with Europeans making up 6% of the 15% of overseas visitors, North Americans 4% and Australasians 2%).

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<sup>5</sup> VisitYork Economic Impact figures for 2012 <http://www.visit-york.org/media/news/news-release-impact-figures.aspx>

<sup>6</sup> Figures for 2011 from visitor survey available on [discover-stratford.com](http://discover-stratford.com)

<sup>7</sup> Figures for 2010 from Visit Bath tourism information sheet

<sup>8</sup> Figures for 2010 – on [Cambridge.gov.uk](http://Cambridge.gov.uk) – economic impact of tourism report

<sup>9</sup> Figure from GB Tourist Statistics 2012 – p20

<sup>10</sup> VisitYork York Visitor Survey 2012-13 Executive Summary

## Value and length of stay

The model used to calculate economic impact combines results from the ‘Cambridge model’ and ‘UK Events Market Trends Survey’ and shows that visitor spend was £606 million in 2012.

Overnight visitors contribute significantly more per head to the value of tourism, contributing £399m compared to £207m from day visitors (66% vs 34%) despite comprising a fifth of all visitors. The average spend excluding accommodation is higher amongst those staying overnight than day visitors (£45.67 compared to £32.95)<sup>11</sup>.

Overnight leisure visitors stay an average of 3.3 days in York (71% of all overnight visitors are short stay i.e. 1-3 nights with a higher proportion of overseas who stay longer, 37% 4+ nights compared to 27% overnight visitors who are UK residents).

In comparison the average length of stay for overnight visitors to Bath<sup>12</sup> was 3.47 nights, for Stratford upon Avon<sup>13</sup> 3.79 nights and for Edinburgh<sup>14</sup> 2.3 nights for GB visitors and 4.3 nights for overseas visitors.

Spend figures for different types of leisure visitors indicate which audiences are likely to contribute most to the visitor economy.

Day trippers spend on average £34.83 per day compared to £44.65 (excluding accommodation) for staying visitors<sup>15</sup>.

The figures exclude accommodation costs and have been calculated to show spend per person per day when in York<sup>16</sup>:

- Those staying overnight with children in their party £21.86 and those without £38.83
- Those staying overnight in York from UK £35.44 and those from overseas £40.00.

The average spend figures per visitor per day shown below for other heritage cities are quoted in publically available reports and facts sheets but they do not say how they have been calculated and what aspects they include or exclude so care should be taken when comparing figures.

- Day visitors to Stratford upon Avon spend on average £23.48 with staying visitors £58.86 (excluding accommodation)<sup>17</sup>
- Day visitors to Bath spend £48.71, UK staying visitors £42.56 (excluding accommodation) and £80.61 for overseas visitors staying overnight<sup>18</sup>

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<sup>11</sup> VisitYork Visitor Survey 2011-12

<sup>12</sup> Figures for 2010 from Visit Bath tourism information sheet

<sup>13</sup> Figures for 2011 from visitor survey available on discover-stratford.com

<sup>14</sup> Figures for 2011 from Visit Scotland

<sup>15</sup> VisitYork 2012-13 visitor survey

<sup>16</sup> Welcome to Yorkshire Regional Visitor Survey 2010-11 – note figures are indicative only given small base sizes

<sup>17</sup> Figures for 2011 from visitor survey available on discover-stratford.com

<sup>18</sup> Figures for 2010 from Visit Bath tourism information sheet

## Overseas visitors

The estimated number of overseas staying visitors to York over the last three years is shown in the table overleaf<sup>19</sup> (with the top five countries being in order Australia, USA, Germany, Spain and France).

The dominance in leisure overnight stayers and potential to grow the number of business overnight visitors is highlighted by comparisons with other nearby cities (the proportion of overnight overseas leisure visitors to York is 54% of the total, with 9% stating the purpose of their visit was business compared to 33% and 29% respectively in Newcastle).

Overseas visitors	2010	2011	2012
All staying visitors ('000)	224	222	199
Leisure visit	124	139	108
Business visit	35	22	18
VFR	53	49	63
Study	5	6	8
Other	5	6	2

## UK Business visitors

In VisitEngland's top 20 most visited English towns and cities in 2010 by UK residents (which includes an overnight stay) York appears in the list at number five for 'pure holiday trips' but is not in the top 20 for business trips based on the number of nights<sup>20</sup>.

Leeds appears at number 6, Cambridge at 9, Oxford at 14 and Hull at 20 in the list.

When based on domestic overnight business spend York appears at 14 in the list of top 20 English cities and towns, although the figure is significantly below 'pure holiday spend' by domestic visitors. The average length of stay of an overnight business visitor is 2.3 days.

## Business tourism – conferences and events

York, in 2012, had an estimated 20,000 business events attended by nearly 1.1 million business event visitors. They accounted for an estimated spend of £160.4m in venues and the local destination (the figure being £165.8m in 2010 and £150.9m in 2011)<sup>21</sup>.

In 2012, there was an average of 401 events per primary venue in York. This was the same as 2011 (404 events per venue). The York average was above the national average (374).

Event business in York is predominately staying for the day (64%), with the rest staying overnight. The 2012 York pattern was similar to the national average and broadly reflected previous years.

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<sup>19</sup> International Passenger Survey – ONS – detailed towns data – from VisitBritain website

<sup>20</sup> VisitEngland 2010 UKTS - [http://www.visitengland.org/Images/Top%20Towns%202010\\_tcm30-26798.pdf](http://www.visitengland.org/Images/Top%20Towns%202010_tcm30-26798.pdf)

<sup>21</sup> Taken from The Impact of Tourism to York 2012 Research Report produced by Team

Average duration for event business was 1.7 days in York. This was broadly the same as nationally (1.6 days).

The average reported event size in York in 2012 was 54 delegates, with only 12% of events having 101+ delegates. This was slightly up on 2010 and 2011 levels. Average event size was however lower than the national (65) and Yorkshire average (60).

In York, the corporate sector accounts for the majority of event business (59% in 2012 compared to 25% for the association sector and 16% for the public sector). Since 2009 the proportion of events from the corporate sector has increased by 15% points with a 17% point decrease in the public sector.

The average event duration in 2010 was 1.7 days, which is higher than both the regional and national average, with conference delegates being more likely to stay overnight in York than in other destinations.

The average day delegate rate in York was £33 in 2012. This was the same as 2011 but below the national average (£43 in 2012)<sup>22</sup>.

A third of event business was residential, with more than four fifths of these staying at the venue itself. York has a greater likelihood than other UK destinations of attracting business visitors from further afield, with 32% coming from outside of the Yorkshire region (compared with the national average of 25%).

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<sup>22</sup> All figures in this section from 'Conference impact and venue survey' – 2012 - Team

### 5.3 York tourist accommodation bedstock

The breakdown of estimated current bedstock<sup>23</sup> across the city is below, the number of properties is an estimate from August 2013, with longitudinal data based on an estimate of bedspaces:

	2013	2014	2014	2013	2011	2008	2005	2002	1999
Accommodation type	Number of properties	Sum of Bedrooms	Sum of Bedspaces	Sum of Bedspaces	Sum of Bedspaces	Sum of Bedspaces	Sum of Bedspaces	Sum of Bedspaces	Sum of Bedspaces
B&B/guest house	178	1,194	2,576	2,446	2,425	2,671	3,329	3,329	3,511
Campsite/holiday park	31	756	2,702	1,835	1,695	-	-	-	-
Campus accommodation	6	864	892	893	1,664	1,673	807	1,500	1,600
Groups	2	51	183	183	183	-	-	-	-
Hostel	6	81	418	372	297	-	-	-	-
Hotel	56	2,952	6,041	5,408	3,999	4,509	4,571	4,379	3,523
Inn	21	126	250	225	202	251	187	192	267
Motel	1	3	6	6	6	-	-	-	-
Self-catering	158	320	1,359	1,211	1,130	2,990	1,913	1,913	-
Serviced apartments	3	16	46	46	6	-	-	-	-
<b>Total</b>	<b>465</b>	<b>6,363</b>	<b>14,473</b>	<b>12,625</b>	<b>11,607</b>	<b>12,094</b>	<b>11,876</b>	<b>11,693</b>	<b>10,854</b>

<sup>23</sup> Figures provided by VisitYork – estimates of bedstock; NB estimates of bedspaces up to 2011 split out hotels and budget hotels, to provide a comparison to more recent figures this data has been added together in the table above. In 2007 there were major changes to the number of bed spaces in some accommodation categories this is due to reclassification by accommodation providers, new categories and an update of the YTB database. Until 2011 all unserviced accommodation (that is self catering properties and caravan and campsites) were put in the same category, in 2011 they were separated out.

Although the data has not been captured consistently in different categories the overall figures show a steady rise in bedspace, with a total increase of 33% since 1999.

Even though the estimated number of visitors to York has remained at 7 million between 2008 and 2013 the amount of bedspace has increased by 20% in that time, reflecting the increase in the proportion of overnight visitors over the last 5 years.

The hotel sector (including budget hotels) has experienced the greatest increase (71% growth in the amount of bedspace since 1999), with the B&B / guest-house market being impacted by the growth in budget hotels; this sector has decreased in terms of bed-space by 27% in the same time period when the overall amount of bedspace in the city has significantly increased. York is well served with mid-range and budget accommodation but has a smaller proportion of 4\* / 5\* which suggest the market is currently mid-range.

#### Accommodation Grading

Type	5 Star	4 Star	3 Star	2 Star	Budget	Ungraded	Totals
Hotel	1	11	16	7	0	1	36
Budget/Metro	0	0	0	0	5	0	5

*Note: In the hotel category there is one five-star hotel (2% of hotels); four-star 19%; three-star 40%; two-star 12% and the balance ungraded or self-graded. (% Figures compiled from VisitYork members only and is based on the total stock not just those with a star rating.*

Type	5 Star	4 Star	3 Star	2 Star	Budget	Ungraded	Totals
B&B	4	44	17	0	0	89	154
Campsite	2	6	2	0	0	14	24
Campus	0	0	0	0	0	2	2
Hostel	0	3	0	0	0	2	5
Self-Catering	9	25	2	0	0	46	82
Apartments	0	4	0	0	0	6	10
Inn	1	4	0	0	0	6	11

*Star ratings for B&B's and other accommodation is based on different criteria to hotels so cannot directly be compared by star rating.*

#### Accommodation usage

The vast majority (85%) of staying visitors are using paid for accommodation. Hotels are the most commonly used type of accommodation, with half of the overnight visitors using paid for accommodation staying in a hotel, followed by B&B's/guesthouses (17% of overnight visitors) and then self-catering (8% overnight visitors choosing to self-cater). Nearly all of those staying in free accommodation are staying with friends or relatives<sup>24</sup>.

<sup>24</sup> VisitYork York Visitor Survey 2012-13 Executive Summary

What is not known is if those saving money on accommodation costs (i.e. budget hotels) then go on to spend more in the city but budget hotels employ fewer local staff as a ratio of guests and outsource more services, both contributing less value in the local economy.

#### Qualitative findings:

The types of accommodation in the overall mix will impact on the types of visitors being attracted; a broad mix of accommodation from budget to high end is expected but the issue is which one dominates and sets the tone.

*“A budget hotel is volume, an above average hotel is value” – 4\* hotel*

*“Image is everything today, reputation is everything; people buy reputation before they buy a product... the Council have to make sure that we manage our reputation and we manage the positioning of York as a city” – 4\* hotel*

*“There are enough budget hotels” – 3\* hotel*

*“[Average room rate] Low compared to some cities which says York is [currently] catering for the lower end of the market ... there is more budget level accommodation than there should be” – Hotel developer*

*“[Currently] too much budget accommodation and not enough quality/four star which could also be a hindrance for conference organisers choosing York” – Hotel developer*

If more visitor accommodation is to be built, those operating 4/5\* accommodation prefer any new competition to be like for like.

*“We don’t want to become a Blackpool and there is that danger without a strategy; I’d rather have higher end hotels coming into this city than I would budget hotels” – 4\* hotel*

An increase in budget hotels will, it is perceived, drive down room rates across the city. The increase in the number of budget hotels in recent years has resulted in a degree of cannibalisation, driving some B&Bs and guest-houses out of business (as seen in the historic bedstock data as well as in the qualitative interviews) as they struggle to compete, whilst suppressing room rates for mid to high priced hotels.

*“If we keep granting planning permission the budget hotels will snap it up which will impact the B&Bs, to stay open they will be forced to suppress their price points, the larger hotels will have to do likewise” – 4\* hotel*

*“We don’t need any more budget hotels” – guest house*

*“The more low cost opportunities in the city centre the more it suppresses price points, the more we have to lower our prices which attracts a different market which doesn’t spend as much” – 4\* hotel*

Some hoteliers use current room prices to argue that there is often over-supply in the market currently as top end hotels cannot achieve the room rates they would expect and are having to discount to attract custom.



*“If you look at the Cedar Court, which is... five star, they’re selling their rooms at £99, and we’re four star and we have to compete with this; and they must be losing money hand over fist, but not only that, they’re making other hotels lose money” – 4\* hotel*

*“It is true for now you would say that we want more four and five star hotels because it is the type of guest we would want to attract to the city but are we going to attract them or are we going to discount the four star hotels so we have a great product at a discounted rate and become a Newcastle and the discount is so great that everybody can stay in a four star hotel. Is that what we want?” - 4\*Hotel*

The qualitative interviews with general managers of hotels and guest house owners brought up their concerns and fears about continued expansion of supply in rooms, as well as the type of developments; both of which they are felt to impact on their own business and the general type of visitor the city attracts. Out of all respondents they were the most worried and pessimistic about future hotel expansion in the city.

## 5.4 Occupancy and room rates

### Hotel occupancy rates - York

The data overleaf shows the data from the STR hotel occupancy survey combined with additional hotels not included in the STR data but who submit their data to VisitYork's hotel occupancy survey.

The STR figures are based on 21 hotels in the city (or 38% of all hotel) and the VisitYork data on 9 out of the 56 hotels in their accommodation audit figures.

There is some overlap in the data as 4 hotels provided data to both STR and VisitYork. However, as neither data sources show findings by individual hotels it is impossible to extrapolate the figures and combine the two sets of data together to provide a more comprehensive overall picture. When comparing the two sets of data however, occupancy and rate follow a similar path. The total number of properties combined is representative for the city.

The first chart overleaf shows information based on figures for 2013 with levels of occupancy (shown as a percentage as a line) with results being broadly similar across the hotels in the STR and VisitYork studies.

The data shows a high level of occupancy in all months except January.

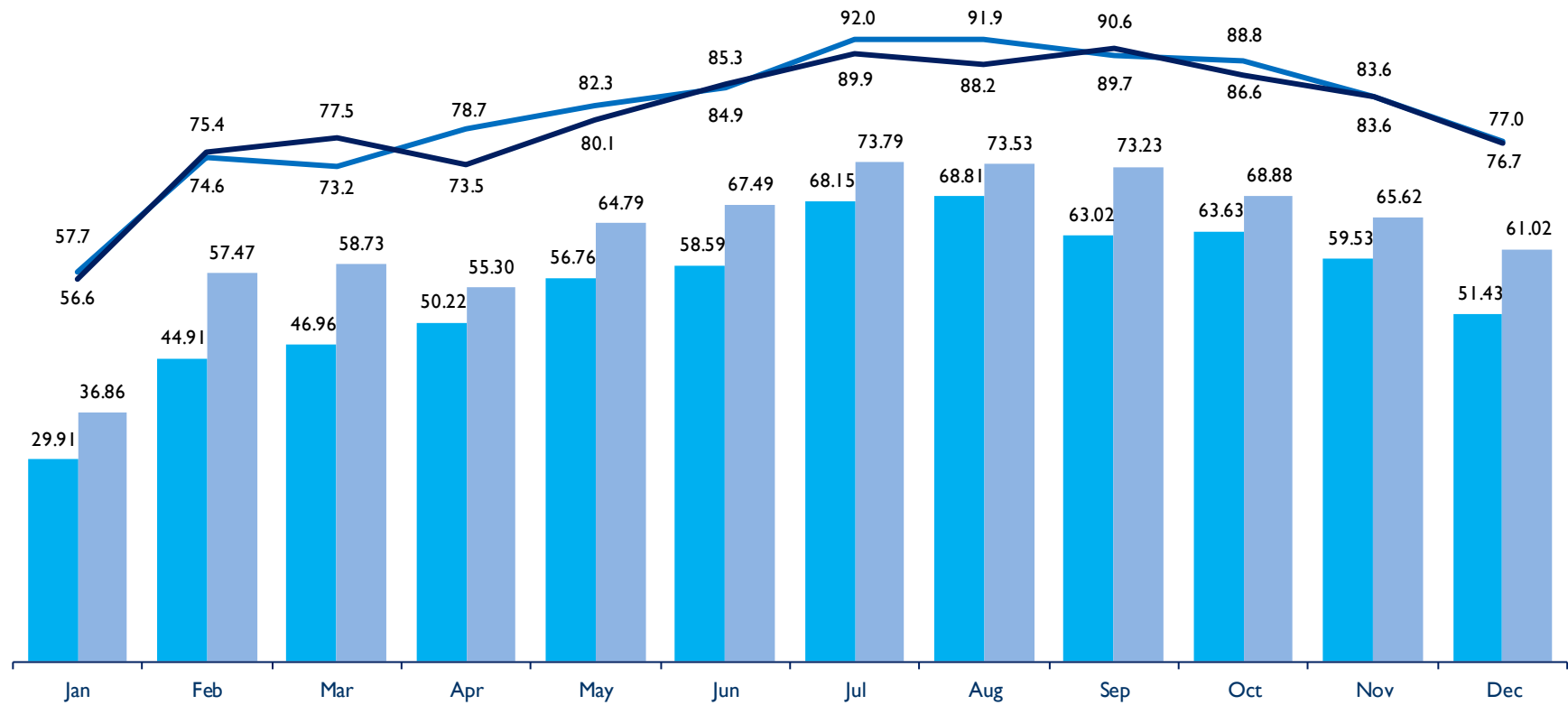
The bar chart shows RevPar (revenue per available room calculated from the room revenue divided the number of rooms available) in pounds in which the VisitYork data is consistently higher than the STR data (which is perhaps a more realistic figure given it is an average from a considerably larger sample size of hotels).

The second chart shows the same information but plotted across the last six years. This data suggests that although the overall number of overnight stays has increased with the number of hotel bed spaces increasing by 20% (4,509 in 2008 and 5,408), with overall occupancy levels remaining fairly constant, there has been very little growth for individual hotels in terms of RevPar or occupancy figures over this time, potentially impacting on their ability to re-invest in the business.

This suggests the market for overnight stays has increased in York keeping broadly in line with the increase in bed space. Steady growth previously has not suppressed average RevPar but neither are individual hotels benefitting from the overall increase in demand; or in other words the size of overall pie in terms of bed spaces has increased, along with a corresponding increase in the numbers of overnight visitors but each individual hotel (on average) has seen their own revenues remain steady. This, as often mentioned in the qualitative interviews, means individual hotels have not experienced a rise in their revenues from which they can use to reinvest in the quality of their accommodation.

The previous steady expansion of visitor accommodation has seen occupancy and RevPar for individual providers remain fairly static; a rapid increase in provision is likely to see individual providers experiencing a reduction in individual revenues unless demand can be stimulated at a corresponding level.

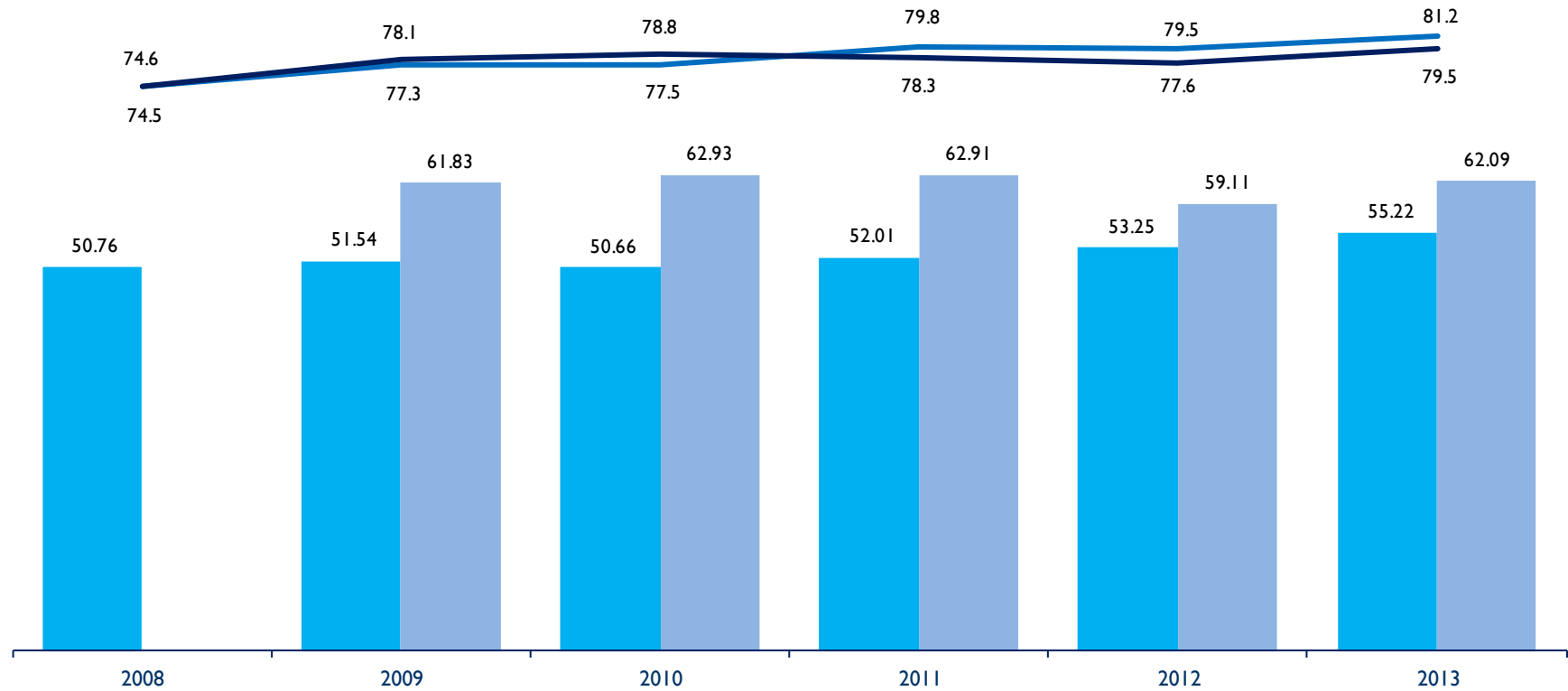
2013 Occupancy and RevPAR



■ STR RevPAR    
 ■ VisitYork RevPAR    
 — 2013 - STR occupancy    
 — 2013 - VisitYork occupancy



2008 - 2013 Occupancy and RevPAR - average total per year



STR RevPAR

VisitYork RevPAR

STR occupancy

2013 - VisitYork occupancy



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## Occupancy rates in the UK as context

Compared to data for the whole of England, York appears (based on the data on the previous pages and page 20) to achieve a higher average hotel room occupancy rate<sup>25</sup> than average and a slightly higher one compared to other cities / large towns.

The latest figures available are based on January to November 2013.

Room occupancy rates	2013	2012	2011	2010
Room occupancy <sup>26</sup>	69%	64%	-	-
Weekday	71%	68%	70%	63%
Weekend	66%	64%	64%	60%
City / large town	78%	73%	74%	70%
Hotel	73%	70%	70%	69%
Guesthouse	55%	55%	55%	54%
B&B	50%	50%	50%	49%

## Occupancy and revenue – UK and York

Data from the BDO Hotel Britain report suggests regional hotels recorded more modest growth between 2011 and 2012 than London hotels; the average achieved room rate (AARR) increased by 1.1% to £69.72, but occupancy declined slightly by -0.2% to 70.6%. This affected rooms yield growth, which grew by 0.9% to £49.23.

The five year compound annual growth rates (CAGR) in all three key performance indicators (KPIs) remain negative, suggesting that regional hotels still face a challenging environment, with many having to discount rates to attract visitors<sup>27</sup>. The table below shows the summary performance of regional hotels in the UK excluding London.

	2008	2009	2010	2011	2012	CAGR % (2008-12)
Occupancy (%)	71.0	68.4	70.3	70.8	70.6	-
Year on year growth	-	-3.7%	2.8%	0.7%	-0.2%	-0.1%
AARR (£)	75.19	68.96	68.41	68.94	69.72	-
Year on year growth	-	-8.3%	-0.8%	0.8%	1.1%	-1.9%
Rooms yield (£)	53.41	47.17	48.09	48.79	49.23	-
Year on year growth	-	11.7%	1.9%	1.4%	1.9%	-2.0%

<sup>25</sup> England Occupancy Survey – Summary of Results – November 2013 – VisitEngland

<sup>26</sup> Figure includes STR Global data

<sup>27</sup> Hotel Britain 2013 – BDO report p23

Other benchmarking hotel statistics (with data showing figures for the provinces excluding London)<sup>28</sup> show a similar pattern of steady occupancy rates year on year, along with a decline in Average Daily Rate (ADR) over time and Revenue Per Available Room (RevPar), even if the actual numbers differ between studies.

	2008	2009	2010	2011	2012	Forecast 2014
Occupancy (%)	69	66	69	71	70	71
ADR (£)	64.03	59.69	58.69	58.39	58.93	59.44
RevPar (£)	43.93	39.28	40.76	41.38	41.13	42.44

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<sup>28</sup> PwC forecast with STR Global benchmarking data

### **Hotel Britain 2013 – Summary of Five Year Performance 2008-12 – Hotels in UK**

These figures provide a broad indication of how different cities are performing and the state of the market between 2008-2012 but care should be taken on a city-by-city basis given the small sample size of hotels the data is aggregated from. However, the figures suggest York hotels have a level of occupancy that has remained broadly consistent over this period and which many other heritage cities would like to be running at.

However, despite occupancy levels being higher, this may be as a result of discounting with the average achieved room rate and room yield being lower than many other heritage cities, which may be an indication of an over-supply in rooms.

	2012		Occupancy %					CAGR%
	# hotels	# of rooms	2008	2009	2010	2011	2012	2008-12
All UK	582	95,200	74.3	72.9	74.7	74.9	74.4	0.0%
London	160	32,757	80.6	81.5	83.2	82.9	81.8	0.4%
Regional UK	422	62,443	71.0	68.4	70.3	70.8	70.6	-0.1%
England	350	51,404	70.5	67.4	69.7	70.0	70.1	-0.1%
Bath	4	481	69.5	74.1	77.2	74.9	73.1	1.3%
Cambridge	4	593	74.8	73.8	72.5	77.2	76.1	0.4%
Chester	5	706	73.9	71.0	68.2	70.2	72.1	-0.6%
Edinburgh	18	3,168	74.4	75.8	75.5	77.6	74.8	0.1%
Leeds	11	1,802	74.5	71.5	72.2	72.1	72.0	-0.8%
Oxford	3	469	72.3	72.7	73.4	77.2	75.6	1.1%
Stratford-upon-Avon	8	840	69.9	64.9	68.3	68.7	66.2	-1.4%
York	5	581	79.9	81.1	79.9	81.2	80.6	0.2%

VisitYork’s own research shows a similar level of room rates being paid by those staying in paid accommodation with the average cost for one night stay per party in 2012 being £71.67<sup>29</sup>

The AARR (Aggregated Average Room Rate) being achieved by hotels in York is noticeably less than many other heritage cities such as Bath, Edinburgh, Oxford, Cambridge and even Stratford upon Avon suggesting these places are attracting overnight visitors who are willing to pay more for accommodation and by inference contribute more economic value in general to the local economy on other things than those staying in York.

	2012		AARR £					CAGR%
	# hotels	# of rooms	2008	2009	2010	2011	2012	2008-12
All UK	582	95,200	97.12	90.71	95.16	98.95	101.54	1.1%
London	160	32,757	137.47	128.57	141.58	151.70	157.92	3.5%
Regional UK	422	62,443	75.19	68.96	68.41	68.94	69.72	-1.9%
England	350	51,404	74.38	67.63	67.13	67.69	68.53	-2.0%
Bath	4	481	92.75	83.53	88.22	89.78	90.65	-0.6%
Cambridge	4	593	76.90	71.55	72.19	72.39	75.20	-0.6%
Chester	5	706	74.17	65.85	62.91	65.08	66.12	-2.8%
Edinburgh	18	3,168	89.49	84.61	84.80	86.41	86.52	-0.8%
Leeds	11	1,802	68.30	62.90	61.34	60.11	60.72	-2.9%
Oxford	3	469	89.08	83.86	87.20	88.96	93.96	1.3%
Stratford-upon-Avon	8	840	79.37	73.70	73.16	73.46	74.14	-1.7%
York	5	581	68.58	65.71	65.60	64.42	67.61	-0.4%

<sup>29</sup> VisitYork visitor survey 2012-13



The room yield for York also shows it has remained fairly steady and below that achieved by hotels in many other heritage cities.

	2012		Room yield £					CAGR%
	# hotels	# of rooms	2008	2009	2010	2011	2012	2008-12
All UK	582	95,200	72.15	66.10	71.08	74.12	75.58	1.2%
London	160	32,757	110.76	104.78	117.79	125.69	129.20	3.9%
Regional UK	422	62,443	53.41	47.17	48.09	48.79	49.23	-2.0%
England	350	51,404	52.42	45.61	46.78	47.41	48.07	-2.1%
Bath	4	481	64.45	61.89	68.15	67.26	66.29	0.7%
Cambridge	4	593	57.55	52.83	52.35	55.86	57.20	-0.2%
Chester	5	706	54.84	46.74	42.88	45.68	47.64	-3.5%
Edinburgh	18	3,168	66.59	64.12	64.00	67.05	64.73	-0.7%
Leeds	11	1,802	50.89	44.96	44.32	43.34	43.73	-3.7%
Oxford	3	469	64.44	60.97	63.97	68.68	71.02	2.5%
Stratford-upon-Avon	8	840	55.50	47.86	49.98	50.50	49.06	-3.0%
York	5	581	54.81	53.26	52.42	52.30	54.46	-0.2%

### Qualitative findings:

The relatively higher occupancy levels in York compared to other heritage cities in England suggests on the surface scope to expand supply. However, the tone and attitude of many hotel operators within the city did not reflect the positive optimistic outlook these occupancy levels might suggest. Visitor accommodation providers within York recognise that occupancy levels are high during the peak season, for race days and most weekends but are concerned about the impact of expanding the supply of bed stock if there is not a corresponding increase in demand, especially during quieter times.

*“If you are going to increase hotel bedroom space someone is going to suffer” – guest house*

Current providers cited various concerns about expanding visitor accommodation provision too quickly rather than having slow and controlled growth so demand can be stimulated alongside supply to avoid discounting or price wars.

*“I think if you’ve got anything more than two then you’ve got a big issue... I would be very worried if you were to say we’ve got more than two hotels opening in York...especially if business tourism is not taken seriously by companies such as VisitYork or the Council” – 4\* hotel*

*“It [new 4\* hotel development] has to be staggered and that is what we want to see. If there are two or three new hotels, we will really struggle, if there are two more hotels at Terry’s and a new hotel at St Leonards. Overdevelopment, as has been seen in Cardiff and Leicester, drives prices down” - 4\*Hotel*

*“Mid-week commercial business is an issue and is not strong enough for the volume of hotels available, with lower values than elsewhere” – property specialist*

*“The City is becoming over supplied with the wrong kind of accommodation and the demand [occupancy levels] mentioned above may fuel too many permissions for new building of hotels” – 3\* hotel*

The concerns over discounting were also expressed by hotel developers.

*“[Reviewing current room rates] danger that there is a race to the bottom on rates” – Hotel developer*

Even the most upbeat hoteliers who felt their ‘product’ competes strongly in the current market place expressed concerns about adding too many additional hotels to the mix.

*“...I personally believe there is room for one other very good hotel in York and the benefit of it will be raising the profile if it’s the right sort of establishment coming in and also making sure we fight complacency ... I don’t believe we can sustain more than 300 extra bedrooms in the city, I really don’t” – 4\* hotel*

Those interviewed who provide self-catering accommodation and working in budget hotels were considerably more up-beat and positive about future business growth. Neither audience were particularly concerned about expansion in accommodation provision being bullish about their capacity to compete and maintain high levels of demand for their accommodation.

There is already a short supply of trained staff (especially chefs and front of house) so rapid expansion may damage the quality of the service provided in many hotels.

*“A ticking time-bomb for recruitment which I think will hit in the next 2 years ... if hotels tell you they don’t struggle to recruit and retain chefs then they are not telling you the truth” – 4\* hotel*

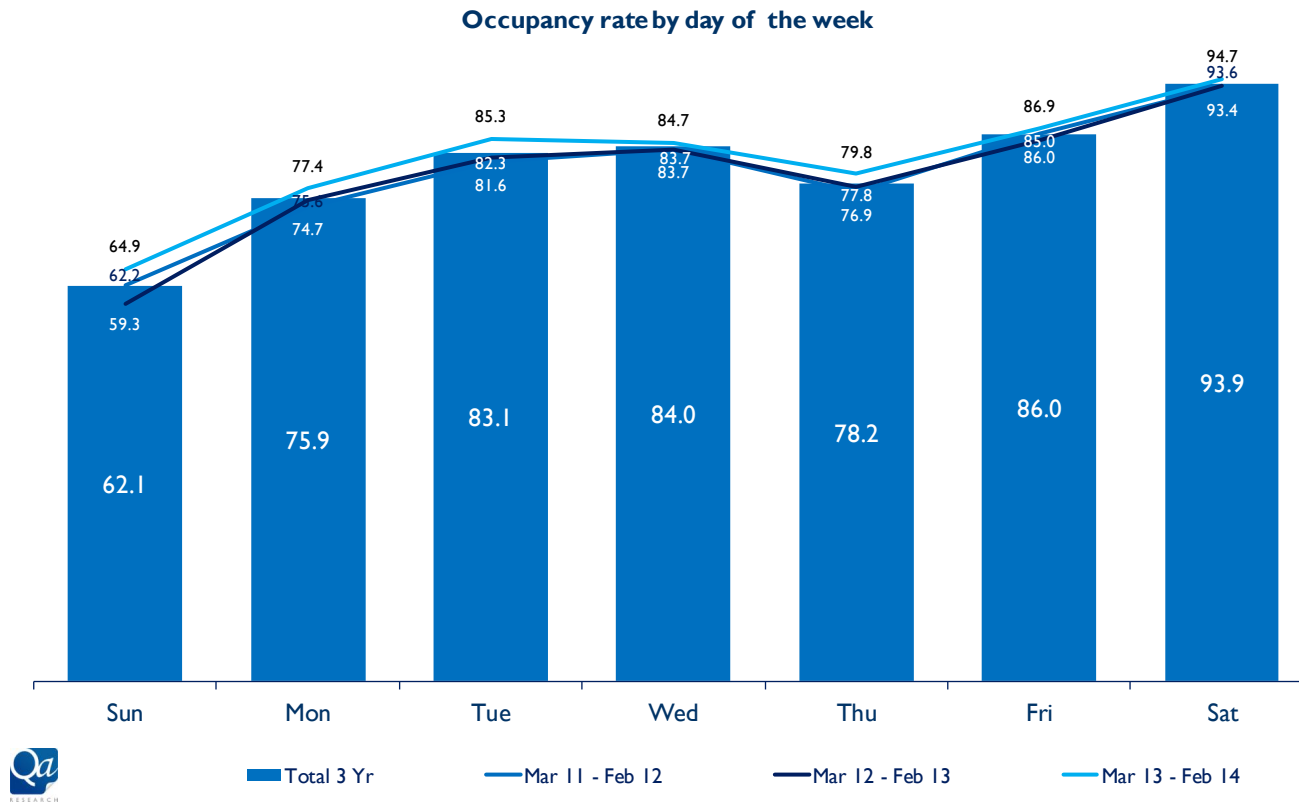
Questions were raised about the ability to continue supporting permanent employment during the low season if occupancy levels fall even slightly in the peak months.

*“[More bed-space] it will create problems, some businesses won’t survive, the smaller ones and when it becomes quiet in the winter time ... you want to keep your good staff, you want to keep them employed and that means you need a certain level of trade to do that” – private hotel*

Will revenue levels be sufficient for accommodation providers to re-invest in ‘quality’ required to attract the key target audiences they feel will deliver the higher value visitors identified which are required to achieve the financial goals set out in the strategic aims.

## Capacity

Despite high average occupancy rates across the year hotels in the city are on average more likely to have capacity on Sunday to Monday and on Thursdays. The chart below is from STR data covering half the hotels in the city; the bar chart and percentage in the middle of these shows the three year rolling average, with the lines the figures for each individual year, although there is a great deal of consistency across the three years.



The hotels that have a high propensity of organised groups referenced having a regular flow of groups staying mid-week in between visiting London and Edinburgh. This pattern can be seen in the 2012-13 VisitYork visitor survey with 38% of all overseas visitors who are staying overnight in the city saying they will also visit London during this trip and 29% also going to Edinburgh.

Those operating accommodation businesses in the city and stakeholders residing in the city were keen in the interviews to suggest ways they felt the existing bed stock could be optimised by driving demand at quieter times before increasing the supply of hotels (ideas from the qualitative interviews are mentioned on p22-23).

Developers see York as a very strong leisure market but with much weaker business demand than many other areas they operate in. Demand has remained high despite changes in the market which makes it an attractive location, for example a decrease in American visitors has been replaced by more UK visitors on a short break but there is recognition that value per head is lower than other heritage cities such as **Oxford, Bath and Cambridge** (see room rates and yields on page 20-21).

The challenge recognised by those hoteliers who benefit from overseas tour groups stopping in York between visiting London and Edinburgh is how best to encourage these visitors to stay for more than one night in York as part of this wider itinerary.

Popular events and festivals such as race meetings and St. Nicholas Fair were cited as driving demand for visitor accommodation, although as discussed in more detail later on an improved quality festival programme with national/international appeal and published sufficiently early to allow operators to plan into their programmes, was desired by many to help boost occupancy in the mid-week gaps and spend per head (assuming the right audiences are attracted).

Wider product development and positioning issues outside of hotel developments will impact on demand and the type(s) of visitors attracted, which in turn will impact on the types of hotels which will do well in the city. Any product development needs to reflect the desires of the target audiences (for example family visitors are likely to have different requirements than high-end couples).

#### Qualitative findings:

Respondents working in the city identified audiences and occasions they felt could be targeted to drive additional demand for visitor accommodation. The dominant leisure market and potential to develop more business tourism was frequently referenced by accommodation providers.

The city is felt to be at capacity during most weekends and throughout the peak season but there is still room within the current accommodation provision to drive higher occupancy at certain times of the year and quieter days of the week.

*“We are almost fully booked every weekend up to July at the moment” – guest house*

*“Huge weekend and school holiday demand, it’s a true leisure market” – 4\* hotel*

*“Weekends are not especially a problem for York...[although] Fridays are getting a lot softer” – 4\* hotel*

*“Very easy weekend, harder Monday to Thursday especially Thursday nights” – 3\* hotel*

*“Easter to the end of October is very very busy. We close down for two months - December and January but November and February and March mid-week, occupancy is still 50% to 60%” - B&B*

*“In summer it is not very difficult to fill the hotel when we have a summer like we have had, the big problem you are looking at is end of October to November and January, February, March to April, where we struggle to fill the hotel and the only way to secure business is that we discount” - 4\*Hotel*

Respondents tended to focus on specific audiences to generate more value rather than driving this through generic marketing activities. Key audiences to attract more of (and who are currently felt to be under-represented in the mix of visitors to the city and ones who are likely to stay mid-week and at quieter times) were seen as overnight stayers per se and specifically business visitors, tourists without children and overseas visitors.

The audiences identified could potentially fill bed space on days and times when providers are currently least busy with an increased supply of higher value audiences helping to increase revenues for accommodation providers and the wider visitor economy in the city.

*“Come the high days and holidays, yes everywhere is full. Once you are in the off months there is stacks of accommodation all over the place. If you are taking it on when the races are on or a weekend then the answer is yes you could probably have more, but during the week there is always empty rooms” – private hotel*

*“Whilst we have a very powerful summer seasons there are many months where it’s a fight out there, January, February, March, November, December...the value is attracting new types of business such as business tourism that would use the city in months like January, February, March, November, December, but also the type of business where people don’t pay from their own pocket, we could generate more value” – 4\* hotel*

Encouraging tour groups, especially those from overseas to spend an extra day in York when stopping over between London and Edinburgh was considered by 4/5\* hotels to be an easy way to increase occupancy at quieter mid-week times. Achieving this requires working with tour groups in advance and marketing the city so staying an extra night is an appealing proposition for guests when booking onto a tour.

*“Very few high end domestic tours, a few in this hotel but nowhere near as much as international ones. With international ones it is one night, so they are in at three, an afternoon in York, dinner in the hotel, a full morning with activities planned and then they are straight off to Edinburgh” – 4\* hotel*

*“Heritage, they only come and stay if they know about it ... 99% of them [overseas visitors] then said if only we had known we wouldn’t have stayed here just one night if we would have stayed here two or three nights and we wouldn’t have stayed in Edinburgh four nights. So yes it is [heritage] what draws people to York but they have to know about it; heritage, culture, old city, the walls” – guest house*

Some hoteliers who have worked elsewhere note that York is very much a leisure market so accommodation businesses could benefit from an increase in the corporate visitor market, given that they are more likely to have occupancy during the week.

*“[Corporate business] is a lot weaker...there’s no big big big accounts that will take thousands of rooms throughout the year; once you take away Aviva, Nestle to some extent, Network Rail depending on what projects they’ve got, there’s not that many major accounts that you would find in other cities that would normally produce...thousands and thousands of nights” – 4\* hotel*

*“I think we’ve got all the key [hotel] chains here. York isn’t seen as a conference destination the way Manchester is. The perception is it [York] is a leisure, touristy place” - Event and conference organisers*

Having an exhibition venue and larger conference facilities with a capacity for several thousand delegates was suggested by many as a relatively easy solution to increase occupancy and support any new hotel development as well as existing accommodation providers. York is viewed as a place that businesses would find attractive to come to, given the ease of train travel and the wealth of additional tourism assets in the city making it a desirable location for business visitors to extend their stay.

*“There is enough demand for these bigger conferences, which fill bedrooms, spend more, fill restaurants and are profitable ... the city sells itself, people want to do conferences in York and spend some time here afterwards” – 4\* hotel*

*“York is so good for transport; we’re right on the A1, not far off the M1, on the East Coast Mainline...and I don’t think we make quite enough of that – we’re not known as a conference venue because we don’t have the space to give them the forum they require. I wish it did [have a large exhibition / conference space] that would be one of the best things they could do... that would put us in the big league” – 4\* hotel*

*“It [York] needs the conference facilities to attract the corporate element” - Event and conference organisers*

*“All the lovely things here for the leisure people would be exactly the same things that would attract corporate events, particularly ones that want incentives or a partner programme or something for people to do when they come, then it is a weeklong conference not just a day” - Event and conference organisers*

Business tourism is also likely to expand as a result of York attracting more inward investment, getting the right sort of businesses to locate here, which in itself will increase demand for hotel and other accommodation by those interacting with these businesses.

*“The Royal York has a really good conference centre but it is not big enough. I heard about plans to develop the tear drop behind York station and to include a conference centre there, I think this would be good news but at the moment, the investment should focus on, attracting big companies.” 4\*Hotel*

## 5.5 Comparisons to other heritage cities

In terms of domestic overnight tourism by residents of Great Britain, York already exceeds other English heritage cities and towns in numbers of trips and spend<sup>30</sup>.

The heritage cities have been ordered in each table based on the highest to lowest figures from the 2010-12 data. The figures shown are three year averages (i.e. the number of trips taken across a three year period, added together and divided by three).

The figures show domestic overnight tourism including holiday trips, business trips and visiting friends and relatives. Figures are also provided in the data-set which separate holiday trips from other reasons for visiting; the percentage figure in the last column shows the proportion of the overall total number of trips in 2010-12 which have been classified as a holiday trip. These calculations show York is considerably higher than other cities in the proportion of trips, which are classed as 'holiday' rather than business or visiting friends and relatives.

	Total trips ('000)	Total trips ('000)	Total trips ('000)	Total trips ('000)	Total trips ('000)	Holiday trips (%)
	2006-8	2007-9	2008-10	2009-11	2010-12	2010-12
England	98265	98724	97516	100682	101418	45%
York	1257	1314	1377	1467	1502	57%
Bath	637	585	597	627	701	52%
Oxford	649	681	687	704	696	35%
Cambridge	421	471	538	660	629	28%
Chester	526	531	524	565	606	51%
Stratford-on-Avon	468	480	470	494	493	54%
Canterbury	388	413	412	391	392	47%

	Total nights ('000)	Total nights ('000)	Total nights ('000)	Total nights ('000)	Total nights ('000)
	2006-8	2007-9	2008-10	2009-11	2010-12
England	301044	302767	296377	300915	300922
York	3127	3155	3353	3764	3769
Bath	1474	1426	1380	1432	1634
Oxford	1649	1724	1802	1532	1472
Cambridge	1040	1104	1195	1444	1411
Chester	1216	1222	1252	1229	1340
Stratford-on-Avon	1152	1209	1060	1192	1166
Canterbury	1188	1143	1090	903	1074

<sup>30</sup> Figures calculated from GBTS Analysis 2006-2012 – LA spreadsheet for England based on three year averages (town tab)



	Total spend (‘millions)	Total spend (‘millions)	Total spend (‘millions)	Total spend (‘millions)	Total spend (‘millions)
	2006-8	2007-9	2008-10	2009-11	2010-12
England	16044	16414	16314	16924	17751
York	204	218	245	277	283
Bath	117	109	116	118	140
Oxford	92	97	90	114	114
Cambridge	54	59	72	96	97
Chester	91	90	93	100	109
Stratford-on-Avon	82	80	81	83	87
Canterbury	48	53	56	60	64

## 5.6 Proposed developments

Developers see York as a highly attractive location to develop accommodation in but also a market which is over-supplied with too much budget accommodation and insufficient higher end quality 4\* accommodation.

Developers and operators have expressed a keen interest in York. Demand is for city centre sites with mainly interest in sites inside or near the City walls. Operators need good market intelligence, information and statistics that will assist in their assessment of the viability of proposed sites. In order to encourage developers to develop higher quality accommodation, it is important to demonstrate to them the medium and long term market strategy of higher spending visitors that the City is working towards with its ambition to double the value of tourism. Developers and operators will look to build the type of accommodation that will deliver the highest returns.

The following comments are from a cross-section of developers, property sales agencies and hotel operators.

*“Insufficient land stock for development sites in the City centre” - Hotel property sales agency consultant*

*“Too much budget accommodation and not enough quality/four star which could also hinder conference organisers choosing York” - International hotel operator that has previously considered York but not yet found a suitable location*

*“Mixed offer [currently but] dearth of good quality larger accommodation in the city centre” – Hotel developer*

*“York has diversity of accommodation – e.g. from B&B’s to five star – standards have in the main improved but could go higher. Most operators want to be inside or near the City walls” – Property specialist*

*“Most attractive destination in the North East of England” – Property specialists*

*“We need to know what will be the payback – we work to a three-year plan. There is a perception that people are strapped for cash but this is not always the case – they may just be looking for better value. Analysis of socio-economic trends would help us to make better decisions about investing in a destination such as York” – MD of international luxury hotel brand*

*“We need to know an operator would be prepared to take on a lease and the only way to get the funding would be to get a good lease with a quality operator.” - MD of hotel property development company*

*“There needs to be a higher proportion of business visitors to balance out the leisure visitor volumes. More focus on conference and meetings and attract more corporate businesses to the city” - Hotel operator with one site already in York and planning another*

Developers and agents have all expressed views that York’s overall visitor offer needs to encompass higher-end options that will meet the higher quality expectations and value for money in both the accommodation provided but also in other areas of the City’s visitor economy. e.g. retail; in/out of town offer; evening offer; conferences.

Developers are more inclined to bring forward higher-level operations if they can demonstrate to their investors a higher return. The ‘deal’ for them has to be attractive to all parties.

From this it seems that the operators are the target audience for statistical information in order to help them to make the best decision to match the market demand i.e. if York is targeting certain markets then they will develop accommodation to suit those markets – e.g. greater focus on the business/conference market will encourage more business brands with appropriate facilities.

This equally applies to re-investment in existing accommodation providers who can also develop their services and quality to match this market.

Suitable sites aside, other factors to achieving a higher level of developments are affected by changes in the financial structures in the market.

A recent review of the UK hotel market by Leeds-based Gateley LLP, corporate restructuring specialists indicates key changes in the funding and management of the sector.

Examples of these trends include:

- Lenders are taking a greater interest in the trading performance of businesses rather than just lending against the capital of bricks and mortar.
- International investment in UK hotels is growing and timescales are often longer-term both in terms of the investment return expectations.
- Management structures and ownership is more complex with many developments operated by a separate management company rather than by onsite owners – this trend is for both corporate and private landlords.
- New investors are more cautious if their risk is dependent on too many factors such as; inconsistent demand, high-build costs and low margins and can affect their decision-making.
- Nationally there are many tired assets in the market and margins are under pressure. Lower margins often prevent investment in upgrading.
- Hotel brands are important in determining the level of consumer demand for a development and its market positioning.

CYC needs take account of these factors with developer and operator proposals. E.g. Aiming some inward investment resource into research about branded properties, A recent example of how operators spread their market risk is the Splendid Group who have just purchased the Five Star Cedar Court Grand Hotel whilst developing a mid to upper Hotel Indigo in Walmgate and also operating a Holiday Inn Express budget hotel at Hopgrove.

## 5.7 Additional issues impacting on accommodation demand

### Qualitative findings:

Many respondents felt any additional supply of bedstock should follow an increase in demand rather than the other way round. It is believed that York can attract a greater proportion of higher spending visitors by further developing the visitor experience; changes to any aspect of this will impact on the types of visitors York attracts and therefore the mix of accommodation provision required in the city to service the needs of whichever audience(s) are targeted.

*“I don’t think people are choosing a destination because there are 10 five star hotels, it is the wider offer, the restaurants and attractions” - 4\*Hotel*

*“High ambition [doubling value] which is admirable but seems too high – need to work really hard at changing the mix because the same people will not spend twice as much” – Event management company*

*“There is a big attraction for hotel sites in and out of town and York is on most operator’s hit list” – hotel property developer.*

*“If York could light the city it would generate significant increase in people using the city more in the evenings – e.g. Lyon in France” - York based property developer.*

Those working and /or living in the city are proud to do so and gave suggestions in a positive way to enhance the offer and help attract the audiences they feel are needed to achieve the aim of doubling the value of tourism. The ideas were not a criticism of the current situation but a reflection of a desire for York to be a ‘compelling, exceptional world city’.

### A vision for York

Heritage and innovation can co-exist if the common denominator is ‘quality’. There was a desire for York to retain what makes it special and different but to develop an ‘offer’ which will appeal more to the higher value / spending audiences required to attract in order to double the value of tourism.

Packaging, marketing and developing the ‘offer’ to target audiences will help attract the desired high spending visitors but first respondents thought there is a need to decide what York is to be (and what it is not) and who should the city be trying to attract.

*“Cities that have embraced that notion of commissioning artists and writers and festivals, they tend to attract those high value visitors” - stakeholders*

*“One of my distinct hopes in terms of a new marketing agency for the city is that it would be that take on the mantle of internationally marketing the city to emergent high value tourists .... articulate a York brand to overseas visitors” - stakeholder*

*“The objective is to build the value of tourism, not the volume...if you want to increase value you have to be very clear about the type of customer you want to bring in” – 4\* hotel*

The issues are unlikely to be news to those working at City of York Council but changes to the overall experience and visitor offer is likely to have a considerable effect on the type and amount of additional visitor accommodation required.

## The ambience

Everyone working and/or living in York make reference to the visible weekend hen and stag dos and the wider desire for an appealing twilight economy which are both felt to impact on the current and future demand for and therefore supply of visitor accommodation.

*“Tackling the evening economy, tackling some of the issues we have with hens and stags which is almost alienating another set of clientele ... families come back to us because it is getting too rough in town” – 4\* hotel*

*“You just need to go into the city on a Saturday afternoon...it has become a hen and stag paradise, but would that go along with the heritage side of York and what York stands for in terms of culture and arts? Not convinced. Do we want to become the new Newcastle? I’m not sure this is the right way to go for York” – 4\* hotel*

*“[What puts customers off returning] weekend stag and hens, it is a different place at night” – 4/5\* hotel*

*“We need to put culture at the heart of the city’s offering to attract a higher value of tourist ... what we don’t need is any more tea shops, anymore tacky tourist things, themed pubs reaching out to hen parties because it is damaging the overall experience of being in the city centre on a Saturday afternoon when you fall over 35 extremely drunk women” – stakeholder*

*“More Café Culture” – 4\* hotel*

## Enhancing the built environment

If additional visitor accommodation is to be built, those looking at the city landscape as a whole desire any new buildings to be an asset to the built environment which reflects the values and image the city wants to convey.

The Cedar Court was regularly given as an example of a hotel development which enhances the built environment, retaining and developing an existing ‘heritage’ building and improving the surrounding area with the piazza and public space outside.

Conversely, ‘identikit’ architecture, which is the same in style and design as any other town or city and makes no concession to being in York was viewed negatively.

## Developing the visitor experience

To achieve the strategic aim and attract higher spending visitors respondents had a long list of developments required to support any hotel expansion by stimulating demand to visit and stay.

Suggestions regularly included improving the quality of the retail and restaurant offer in the city, significantly increasing the cultural offer, delivering quality festivals (at off-peak periods), addressing the night-time economy and adding another new permanent attraction.

*“[Festivals are an opportunity to draw visitors but] complacent and half-hearted” – 4\* hotel*

*“Festivals are good for the City but need to encourage more quality ... bigger and better events ... give more support to festival and event organisers” – Event management*

*“I think people think [York] is slightly down market, nice and attractive and cosy, but somehow we don’t get the style and what one thinks of as ‘the very best’ here” – 4\* hotel*

*“If only we had something world-class here beside our cathedral, then you have got the making of a real way of generating the city and business, but we’ve got nothing world class here” – 4\* hotel*

*“Create a full calendar of events outside the natural high demand periods so that the lower performing periods can be boosted rather than attract more people when it is busy anyway – support initiatives that address this” – Hotel developer*

*“People come to York principally because it is an ancient city ... additional attractions give people a more enjoyable time which leads to other following” – property specialists*

## **Quality**

Respondents believe that an expansion in accommodation provision needs to be supported by a growth in demand. ‘Quality’ throughout the entire visitor experience was felt to be needed in order to attract more high spending visitors, with York starting from a good established base.

*“A rich experience, feeling that there is always something interesting going on from a programmatic point of view, that the theatre is being very ambitious, that the music venues are vibrant ... between 5:30 and 8 O’clock there is virtually tumbleweed going down the street; there is very little going on, it just needs to be more vibrant. I think we need to be much more ambitious in terms of commissioning and not being afraid to bring in external artists and performers. Gear up on the festival front, everything is a bit home-grown and hand-knitted at the moment” – stakeholder*

*“Some hotels are cutting price and quality which is undercutting the city’s quality offer” – 4/5\* hotel*

The issues facing York are not unique with respondents seeing an opportunity to learn from the experiences of many other places, especially heritage cities in continental Europe.

Attracting higher value visitors (as respondents saw necessary to achieve the doubling of the value but not volume of tourism) will require more than just the right type of visitor accommodation but also a suitable range and mix of quality restaurants and retail outlets to attract the desired target audience(s). Having independent retailers providing a unique shopping experience was frequently referenced as desirable to attract visitors who want to walk around the city and enjoy the general atmosphere.

*“We have a vast range of restaurants, my worry is that the city centre when you walk round and see the shops that are closing are being filled with yet another restaurant, that’s all very well to a point but people don’t come to York just to go to restaurants, they come to do their shopping ... it is the individual shops which were part of the draw to the city, the pleasure of walking around and seeing different things” – guest house*

*“If you look at the retail industry, all the shops are closing and the only applications coming into York are for pubs and bars, that in my opinion is a longer term issue because it will become a mega-big bar and with everything that comes with it” – 4\* hotel*

*“If they want to do a higher value per capita, there needs to be a better offer, more discerning people will be coming. So they need better restaurants, better coffee shops, better accommodation, although we have some good accommodation but we have to up our game” - Other stakeholder*

### **Stimulating demand at certain times**

With the recognition that York can often be very full of visitors, the focus for those looking at achieving the strategic aims and supporting additional hotel expansion was to find ways to stimulate demand for overnight stays at appropriate times and attracting the audiences who will contribute most value to the visitor economy.

*“We don’t do New Year’s Eve well in the City, we don’t have something going on outside the Minster except the drunks spilling out of the pubs and then spilling back in, sell tickets, do fireworks, do a music show, light up the Minster for a start; I think we could definitely do more around the peak areas. Some people will say the city’s full anyway so why should we bother but If we are doubling the value and not the volume let’s look at what we are doing and charge more for that than trying to put on extra events at a lower rate” – 4\* hotel*

*“Need to sort out the centre of the city so when we do have events they are publicised well enough in advance, they are staggered, we need some overall control of not having the University doing their graduation the same day the races are on .. there needs to be a management calendar of what is going on ... if they had been separated we wouldn’t be turning people away” – private hotel*

Being a ‘city of festivals’ was perceived to be an opportunity to attract high value visitors to stay or stay longer if the programming was attractive to them (along with potentially making regular return visits for the same event next year or other ones in the York calendar).

There is a desire for the current execution of the festivals to be improved so it encourages visitors to stay overnight.

*“Christmas markets is an absolute pet hate of mine, I cannot understand how our city is beaten by Manchester, Leeds, Bury, Sheffield’s Christmas markets ... it’s all shut up after work, that’s when they start to thrive; there’s definite work that needs doing but the problem is no one wants to lead it” – 4\* hotel*

*“We have festivals and things but I think we should make more of these. The city needs to work better as a whole to promote itself outside the city to attract the visitors. It is the joined up approach that is needed and it is also more money to make them even better than they are now, they are often done on a voluntary basis but it needs more investment and more strategy” - Other stakeholder*

## 5.8 Tourism and national hotel trends

### Slow growth in revenue

According to the British Hotel Association the total number of hotel rooms in the UK added, rebranded and refurbished has grown by 0.2% over the last 5 years, although there has been a significant increase of 20.3% between 2011-12 as the UK emerges out of the recession<sup>31</sup>.

Some forecasters see the UK GDP recovery as heralding good news for the hotel sector as historically there has been a close relationship between RevPAR and GDP growth so a sustained recovery in GDP should lead to increased levels of room demand and revenue growth for the following few years but there is still continuing pressure on room rates.

With living standards squeezed, consumers remain price sensitive and their appetite for discounts and deals continues. It's going to be difficult for brands and operators to shift this longstanding expectation. Hoteliers report strong resistance to passing on rising costs through room prices, from both leisure and corporate markets. As consumers push back, book late in the hope of a bargain and use the pricing transparency of the internet to help them make a choice, this is unlikely to change much<sup>32</sup>.

This was also echoed by some hotel developers interviewed when asked about future expectations.

*“Strong demand but people are looking for value” – Hotel developer*

### Growth in overseas visitors to the UK

A recent report on tourism jobs and growth in the UK forecast that “demand from international visitors is expected to grow at a particularly strong rate of 6.1% annual growth [in financial value] in real terms (adjusted for inflation) with domestic tourism seeing a 3% real term increase” with the authors see as having “implications for a further UK renaissance in the staycation”<sup>33</sup>.

The same report highlights that the impact on the UK economy would be significantly higher if the UK captured a higher share (a ‘fair share’) of visitors from emerging overseas markets to match shares received by other European competitors. The overall contribution of emerging markets in terms of value is expected to be relatively small through the period to 2020 compared to established markets, with an opportunity for significant long term growth over the next 30+ years assuming successful promotion of Britain as a destination.

Forecasts for the growth in visitors from emerging markets show the UK receives a smaller share of visitors from BRIC countries than France and Germany. The baseline forecast the relative share of emerging market visitors as a proportion of all overseas visitors are expected to remain broadly the same in 2020<sup>34</sup>.

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<sup>31</sup> BHA Trends and Developments 2011-12

<sup>32</sup> Quoted from PWC hotel forecast Sept 2013 p7

<sup>33</sup> Quoted from p7 Tourism: jobs and growth report from Deloitte and Oxford Economics

<sup>34</sup> Data from p46 Tourism: jobs and growth report from Deloitte and Oxford Economics



Origin	2013 market share			2020 market share		
	UK	France	Germany	UK	France	Germany
China	0.4%	3.1%	1.8%	0.5%	3.7%	2.9%
India	3.1%	3.4%	1.5%	2.2%	3.4%	2.4%
Brazil	3.0%	11.6%	3.1%	7.4%	8.2%	5.3%
Russia Federation	0.6%	0.9%	2.8%	1.9%	0.8%	1.7%

However, in the same report the forecasted visitor numbers to the UK are expected in the best case scenario to increase from 32 million to 42 million in 2020 and 62 million by 2030 (and in the worst case increase to 38 million and then 48 million in the same timeframe).

Therefore, even if the UK market share of visitors from BRIC countries remains the same, the actual numbers may see a significant increase.

### The Chinese market

Global hoteliers expected this market to continue to grow.

VisitBritain figures suggest Chinese nationals spend on average £405 per head on retail shopping when they visit Britain making them the third biggest spenders after the Nigerians and tourists from the Gulf States.

According to the Hotels.com Hotel Price Index for the full year 2012, Chinese international travellers are already in fifth place in the table of highest spenders on hotel accommodation when travelling abroad with an average rate of US\$169 per room night.

When surveyed, Chinese travellers pick hotels as their most popular type of accommodation. More than half (52%) book 3/4-star hotels most often when they go away with a further 9% each opting for 5-star properties or all-inclusive resorts. Hostels, backpacking establishments and B&Bs are chosen by 18%, followed by serviced apartments (6%) and 1-2 star properties (4%).

More than half overall (52%) prefer an independent hotel with local flavour and 27% would choose an international chain.

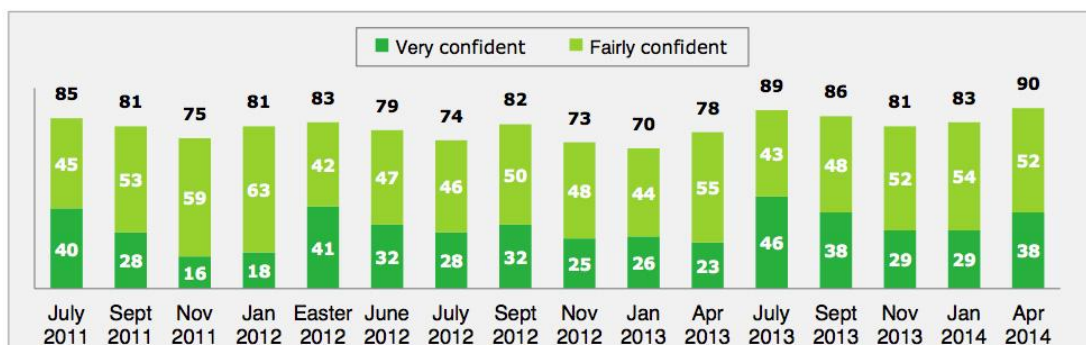
In a growing trend, nearly two-thirds of Chinese travellers (62%) say they prefer to travel independently and not as part of a group. This development has also been confirmed by hoteliers who say that 70% of their Chinese guests now travel independently, compared to a much more even split as recently as the 2012 CITM<sup>35</sup>. The current estimated number of Chinese visitors to York is 7,000 (2012 and was 6,000 in 2011 and 9,000 in 2010)<sup>36</sup>.

<sup>35</sup> Figures from Chinese International Travel Monitor 2013 – report from hotels.com

<sup>36</sup> International Passenger Survey – ONS – detailed towns data – from VisitBritain website

## Other Market Trends

Confidence is returning to the market with accommodation businesses reporting 45% ‘very confident’ and 52% ‘fairly confident’ about future business performance. This is the highest level since July 2011<sup>37</sup>.



## Accommodation demand

Accommodation demand is highest in the hotel sector and hotels report the greatest increase in advance bookings amongst all the accommodation types. Conversely hotels also report the continuing trend for last minute booking.

Year-on-year visitor numbers staying in hotels has shown the highest overall increase in the last year against other accommodation types. Accommodation with over 100 bed spaces shows the greatest increase year-on-year. This reflects the greater ability in larger establishment to ‘flex’ prices as demand changes. Smaller accommodation providers being less agile with their marketing, pricing and distribution channels and less sophisticated inventory management systems.

Smaller establishments also are by their nature ‘hands-on’ and owners/managers do not have the skills or time or other resources to implement tactical actions with the same speed and efficiency as larger establishments.

Millennials will become the core customer within the hospitality and travel industries over the next five to ten years. The majority of airlines, hotels and travel companies will benefit from this sector as they enter into their peak earning, spending and travel years. Within this group of Generation Y travellers, there are many different markets considering the fact that exploration, interaction and experience are the major focus of Millennials. Willing to pay more for a greater experience, “foodies” are a prevalent subset of this market; looking for an overall gourmet experience for a reasonable price will cause the industry to revamp their bars, restaurants and food service. Internet bloggers, culture buffs, lesbian, gay, bisexual, transgender and multi-generational travellers all looking for a unique, novel experience will command change within the market. An emerging ‘bleisure’ trend (business visits are combined with leisure activities) should be noted.

<sup>37</sup> Data and quotes in these section from VisitEngland Tourism Business Monitor May 2014

What this means for York is that the challenge will be to match price expectation to quality experience especially if demand for accommodation that meets higher quality standards identified by interviewees continues. Encouraging businesses (existing and new developments) to invest in product quality will support the aims of achieving higher value.

## Business Tourism

The Business Visits and Events Partnership most recent research provides evidence of the value of business visits to the economy and to the higher spend per visit.

The figures below are extracts from the BVEP 'Events are Great Report 2014:

The Value of Britain's Events Sector – direct spend by segment

- Conferences and meetings £19.9 billion<sup>\*38</sup>
- Exhibitions and trade fairs – £11.0 billion\*
- Incentive travel and performance improvement – £1.2 billion\*\*
- Corporate hospitality and corporate events – £1.2 billion\*\*
- Outdoor events – £1.1 billion\*\*
- Festivals and cultural events – £1.1 billion\*\*
- Music events – £1.3 billion\*
- Sporting events – £2.3 billion\*\*

Total= £39.1 billion

York is 17<sup>th</sup> of the 24 top destinations most used for business events\*\*\*

This suggests business tourism may be an untapped market which if grown could help support an increase in hotel provision in the city.

Successful inward investment, attracting businesses, which have a need for hotel accommodation in the city, is likely to create a steady demand for bed-space and help support a steady growth in hotel stock.

Developing a large conference or convention centre or similar type of venue could result in a step change in hotel demand and the room rates it is possible to charge, along with having a significant impact in the wider city economy. A step by step approach to this could be to focus initially on the Barbican Centre, Racecourse and University to attract events of up to 1700 delegates which would most be likely to be national organisations before embarking on international events with much larger delegate numbers and which would require a purpose built centre.

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<sup>38</sup> \*based on new research; \*\*based on previous research estimates + the figure for sporting events is the estimated spend by inbound visitors to Britain to play in and watch sporting events in 2008

*This total does not include spend of £7.7 billion by those accompanying attendees at business events (source: 'UK Economic Impact Study 2013')*

\*\*\*British Meetings and Events Survey 2014 [www.meetpie.com/bmeis](http://www.meetpie.com/bmeis)

### Additional events/meetings market research:

New research among event venues and venue finding agencies by the Hotel Booking Agents Association (HBAA) and Conference Centres of Excellence (CCE), published in September 2013 under the title of 'Measuring up', confirms the predominance of the major city destinations as the favoured locations for many business meetings and events.

After London, the most popular destination choices were Birmingham, Manchester, Edinburgh and Bristol.

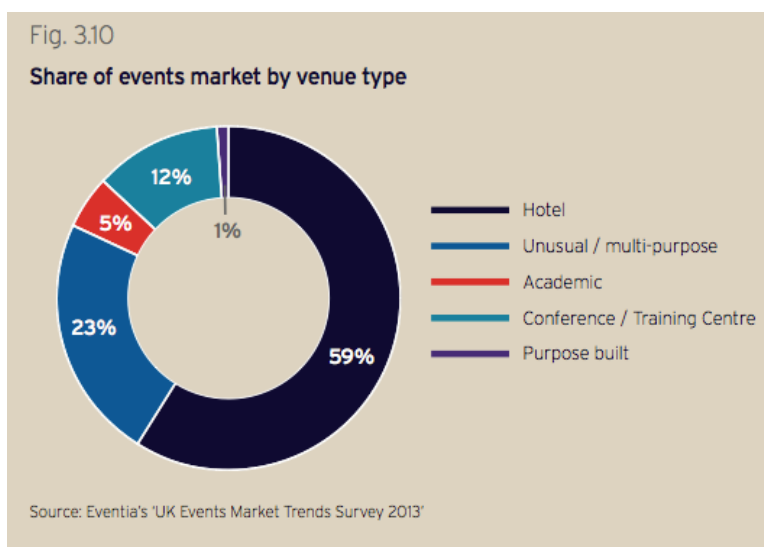
The research also found growing optimism about prospects for the meetings sector, with some 80% of the responding organisations claiming to be 'more optimistic' about future prospects. However, respondents did identify a number of challenges for the market, including:

- Weak economic growth, coupled with inflation and a rise in business costs
- Procurement and RFP (request for proposal) processes
- Structural issues
- Technology-based issues.

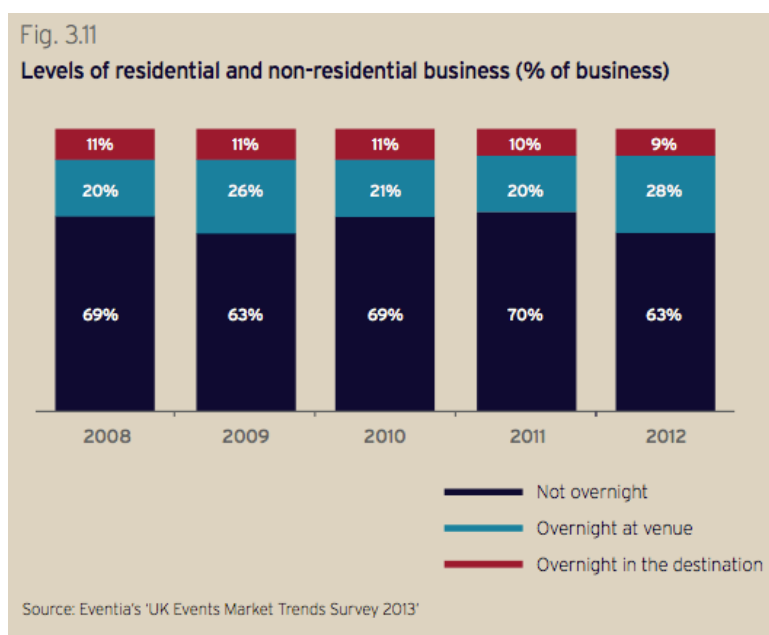
### Growth in residential-based meetings

The growing confidence in the meetings and conferences market revealed by other research projects (see above) is reinforced by the increased proportion of residential events business (and hence greater investment by event owners) reported by venues.

The type of venue for events is also highlighted in this research with hotels dominating in the overall results indicating that quality professional facilities are important factors. (Fig. 3.10)



(Figure 3.11 highlights the proportions of event business that involved an overnight stay in the destination (but not at the event venue itself), or an overnight stay at the event venue, or no overnight stay. It shows a growth from 30 % in 2011 to 37% in 2012 in the proportion of events that had a residential element.



The following case study in the same report highlights how Liverpool and therefore other cities can develop a significant demand for business tourism, contributing to demand for certain types of accommodation and impacting on the value of tourism.

It shows what can happen when a city takes a medium to long-term strategic view, targets specific markets and stimulates demand for hotel accommodation by creating facilities, which the target audiences desire. The resulting increase in demand benefits the whole visitor economy by driving the supply of large numbers of (relatively high-spending) overnight visitors.

#### Case Study: Liverpool Welcomes Thousands of Delegates

In the twelve-month period to October 2013, Liverpool experienced a bumper year for international conferences, welcoming more than 13,000 international delegates to the city. The delegates attended 22 events which generated some £24 million in economic impact for the Liverpool city region. Among the events were Eurospine, a conference and exhibition which attracted 3,500 delegates over four days and the European Society of Gynaecological Oncology with 3,300 delegates over three days, both events being staged at ACC Liverpool. Elsewhere in the city, meetings included the European Network for Translational Research in Ovarian Cancer, held at Liverpool Women's Hospital; the International Symposium on the Fundamentals of Computation Theory, staged at the University of Liverpool; and the Congress of the European Organisation for Caries Research, held at the Hilton Liverpool hotel. In 2014, Liverpool will stage the UK's International Festival for Business 2014.

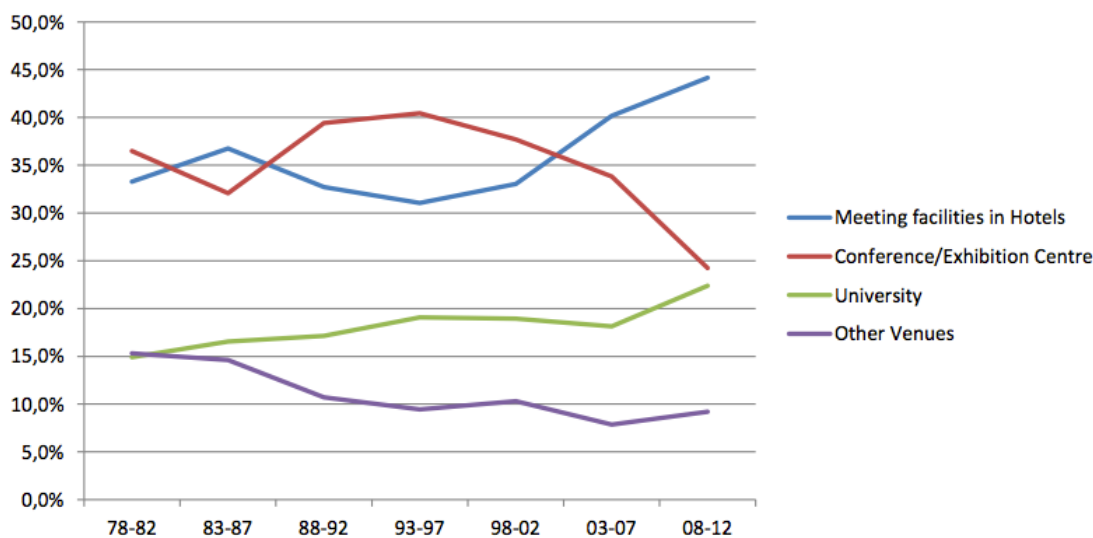
Liverpool’s development as an international destination for major conventions and smaller events has transformed its image; it has generated the additional £24m economic impact (referred to above) and as a result of the policy decision to become a convention city, hotel occupancy and achieved rate has increased exponentially.

Quote from Kerrin McPhee Head of Sales at the ACC Liverpool Convention Centre

*“I managed the Conference Bureau for the Liverpool City Region, driving business into a destination that did not have masses to offer large conferences, but we achieved much with little. Now I head up the sales team for the best convention centre in Europe, it is not just me that says this; many visitors have said the same having experienced the venue. I am proud of what my city has to offer and genuinely feel that Liverpool is a great place to meet, whatever the size.”*

Note: Kerrin is also President of ICCA, The International Conference and Conventions Association which represents the main specialists in organising, transporting and accommodating international meetings and events, comprising almost 1,000 member companies and organisations in over 90 countries worldwide. ICCA is the only international meetings association specialised in the international association meetings market, and has been tracking international association meetings for 50 years. ICCA Statistics are based on the ICCA Association Database, which is designed as a sales and marketing resource for its members to target future international association meetings.

ICCA’s research of the Association Meetings Market indicates a growth in the number of international meetings and identifies a number of factors that York could consider to attract this market with potential for more hotel accommodation demand. The UK is in fourth place in the table of destinations where international association meetings are held. In 2012 the UK held 2381 international association meetings with 814,830 total participants, an average of 342 per event. London held 666 meetings. The report identifies hotels as the highest growth in venue demand.



Source: ICCA - ‘A Modern History of Association Meetings’

#### Qualitative findings:

Current hotel usage by York based companies in York itself is relative low and mainly ad-hoc. In part this is due to the excellent train links meaning that many client meetings can take place in a single day and do not require overnight accommodation.

*“Because people can commute between London and York, we use hotels few and far between” – York based company*

*“Because we are so close to the train station it is easy for people to come and see us from London, they’ll probably get the 6am train and be here at 8am ... and do it in a long day” – York based company*

There is a sense that York is primarily a leisure destination and has few large companies requiring hotel accommodation, so the sector is dominated by leisure accommodation.

*“I don’t think there are many large companies in the centre of York” – York based company*

For business visits rather than conferences and events, several respondents talked about a notional £80-£100 limit on hotel spend and a reluctance to be seen as being overly extravagant in where they or their clients stay, which impacts on the type of hotels being used. Hence the Premier Inn was a brand often referenced. For those looking to impress visitors or cater for top management, there was felt to be a choice between just two or three different providers.

*“In hotels and it has been the same over the last 10 years, there has been this £100 limit, it’s gone down if anything or stayed flat, certainly not kept up with changes in other bills and prices” – York based company*

*“The mixture of accommodation and different type of hotels is improving definitively ... more choice with the lower end with Premier Inn, Holiday Inn Express” – York based company*

*“The world we are in it is generally Premier Inn standard which is £80-£100 a night, probably hard to get more than that as we are working to a budget” – York based company*

*“In the industry we are in Premier Inn seems to be the accepted face, no-one wants to be overly extravagant these days and professional people wouldn’t stay in a B&B; Premier Inn is an ideal solution, it is not seen as luxury but is clean and pleasant” – York based company*

#### Attitudes towards hotel mix

Most businesses felt there was a suitable mix of hotels to match their current demand.

*“There are hotels a plenty. Every second house is a B&B or hotel. I don’t think there is any shortage” – York based company*

*“There is something for every taste: from your Ibis up to your Cedar Courts. It can cater for all visitors whether it be tourist or business” – York based company*

Although there was some criticism amongst some businesses, expressed as much as a residents view as a corporate one, over a perceived lack of re-investment in many hotels across the city.

*“It’s a bit dated the York hotel scene but I guess it caters for its market which is probably stag and hen dos and families on cheap breaks” – York based company*

*“It’s a small city and has a lot of lower end accommodation; it’s a bit thin on the ground if you want a bit of luxury” – York based company*

In terms of future development, those who book a lot of business accommodation in the city expressed a desire for a more business focused rather than leisure brand in the city centre (mentioning Radisson Blue, Doubletree and Park Plaza) but accepted this would only happen if there was more business demand from more large national or international businesses located in or around the city centre.

### **Conferences, events and exhibitions**

York was felt to have a good range of venues for small meetings, for those who may want to hold a meeting away from their office, but more limited for bigger conferences and exhibitions.

*“Conference facilities [in York] not up to scratch at all. Very limited” – York based company*

*“There is nothing decent [in York]. If you wanted some space you would have to go to Harrogate or Leeds” – York based company*

Although York currently does not have a reputation for large businesses conferences or exhibitions, given the good transport links, additional attractions in the city and external perception of being a pleasant place to visit there was thought to be no reason why this could not be developed.

*“York is not recognised in engineering or construction as a place for an event ... you are looking at Manchester, London or Birmingham” – York based company*

### **Untapped Market**

So what does this mean for York in the light of this study?

### **Conferences Events, and Exhibitions Business Market**

The conference, events and exhibition business market is clearly an untapped opportunity for the City in terms of growth in value. The reasons to focus on this sector of the market are:

- Accommodation providers clearly see mid-week as their weakest demand
- Business visitors and conference delegates spend is higher per capita than leisure visitors
- Association business visitors often include ‘spouse’ programmes that include additional activities and spend.
- Exposure of the City to these business visitors could be exploited to attract them to return with their families for leisure visits.

Whilst accommodation providers would benefit from an increase in value, other services and job creation opportunities are a likely outcome. Suppliers of equipment and other resources will achieve more demand and other add-on services used by conference organisers and delegates will benefit. E.g. visits to attractions as part of a cultural extension to an event, retail and dining out experiences and so on.



Conference events organisers can be persuaded to choose York for the reasons alluded to above. (Easy access; attractive location; suitable conference facilities; appropriate level of hotel provision and so on.) The Liverpool example above is an excellent example of how this can work.

Whilst a large conference centre would need a suitable developer and long-term commitment, there is work that can be undertaken short and medium-term to attract more of this market utilising existing venues such as York Racecourse, The Barbican Centre and York University. More resource for the VisitYork4Meetings team would be a good starting point. As mentioned in the qualitative comments, the recent Liberal Democrat Spring Conference is an example.

### **Business Travellers**

It is important to remember that business customers will only visit if there is a reason to come. It is not within this report's brief to determine the strategy for attracting businesses to the City but development of the business traveller sector of the market is somewhat reliant on CYC's inward investment activities. More new businesses based in York would assist in stimulating midweek demand and support the City's accommodation sector if the City is developed as a business destination.

E.g. Attracting organisations to establish headquarters in the City (vis Hiscox) might be a suggested strategic approach that would attract senior executives to the City and subsequently business visitors to those businesses.

### **Overseas Markets – Comment:**

York enjoys a healthy level of international visitors but currently the majority are for short stays as part of a wider visit to the UK. This sector can become a target for value growth if the City targets international conferences and conventions as part of its business tourism strategy.

It would dovetail with the leisure market because international visitors have the propensity for 'add-on' stays beyond the event, would be influenced to return for leisure should sufficient emphasis be placed on marketing the wider offer to them, plus, conference delegates spend more per capita than leisure visitors.

### **New Accommodation Developments and Existing Business Support**

CYC should encourage new operators to provide higher-end accommodation in order to meet the needs of these markets. As the evidence from interviews with potential developers has identified that budget, mid-range hotels and guesthouses are already well provided for in York. This suggested direction also has implications for existing accommodation providers who may need support in order to prepare their businesses for these markets. CYC could consider business development incentives that encourage operators to upgrade their facilities to meet these new market needs.

Predicting future accommodation needs cannot be exact but as this research indicates currently there is a higher proportion of accommodation in the mid-range and ungraded categories. It is recommended that an increase in the four-star category (and five-star) would meet the needs of the target market and in order to fulfil the ambition to double the value of tourism. Encouraging existing operators to upgrade to meet new higher-end needs is also an option.

## 6. Conclusions

The recent historic data shows on a national level a static number of overseas visitors, a decrease in overseas business tourism to the region and a small increase in domestic visitors and spend. Therefore to double the value of tourism to York will require the city to significantly outperform the national trends over recent years. Encouraging more overnight stays and targeted higher value visitors will be necessary to achieve the stated aim of doubling the value of tourism.

Staying leisure visitors spend on average more per day (even when excluding accommodation) than day trippers. With those staying overnight without children and those from overseas spending more on average than those with and those from the UK.

Visitor numbers have remained fairly consistent over the last 5 years but with the proportion of those staying overnight increasing slightly; although due to discounting and costs individual accommodation businesses have often not experienced an increase in their own revenues.

Over recent years the level of individual hotel occupancy, although experiencing seasonal variations, has as on average remained consistently higher than other destinations, even with the expansion in bed spaces over this time. York has successfully sustained a high hotel occupancy level.

It is apparent that demand levels for accommodation in York as demonstrated by the hotel and serviced accommodation sectors are at a level that would be the envy of many destinations, reflecting the popularity of the city.

The types of accommodation in the overall mix will impact on the types of visitors being attracted; a broad mix of accommodation from budget to high end is expected but the issue is which one dominates and sets the tone.

The hotel mix will need to be different depending on the audience(s) being targeted. However, if the desire is to increase the value per head then the data indicates some audiences are more likely to spend more than others but also may be deterred from visiting if the overall product mix does not provide them with what they expect or desire.

Even with the existing visitor accommodation bed stock there is an opportunity to target and attract specific audiences to fill the available gaps on certain days and times of year. This in itself will help contribute to the desired increase in visitor spend.

Higher end hotel developments rather than additional budget accommodation is more likely to attract the audiences required achieving the target of doubling the value of tourism without doubling the volume.

Even though occupancy levels are high and higher than other heritage cities, the room rates being achieved suggest York is attracting a very price conscious visitor and the current supply of rooms is resulting in the need to discount in order to fill them. Those operating mid to high end hotels and B&B / guest houses within York are noticeably less upbeat about expanding the supply of bedstock in the city, despite the occupancy figures there is a clear concern about the economic impact on their business if the supply of rooms expands too quickly by allowing new hotel developments without driving overall demand at the same time.

Supply should follow demand; therefore changes to the overall city wide visitor 'product' and 'experience' will change the type and volume of visitors seeking to stay overnight, along with potentially the required hotel mix depending on the audiences attracted. York is currently very much a short break leisure market, attracting a high proportion of budget conscious visitors.

The qualitative research suggests there is untapped potential and opportunities to attract some audiences in greater numbers depending on future 'product developments' and successful marketing activities.

The data and qualitative feedback suggests there is considerable scope to grow the business visitor market, especially via events, exhibitions and conferences which will increase the demand for rooms at quieter times and potentially support additional hotel expansion if this market significantly grows. The BVEP and ICCA data and trends analysis support this.

A number of respondents called for a large convention/conference centre to be added to York's offer with several suggestions such as: York Barbican Centre, which could be more effectively marketed for this purpose especially if the proposed hotel development adjacent were to proceed; York Racecourse with a link to a new hotel on the Terry's Factory site or a purpose built conference centre and hotel on the 'teardrop' site behind York station.

National data on business tourism spending value supports this argument and with the added benefit that York is an attractive destination for business extenders and partner programmes.

The research suggests there are several markets to focus on that could support a further expansion in hotel accommodation:

- Attracting more of the same type of visitor as York currently does would indicate the need for a careful managed growth in mid-range hotel developments, with the value for each individual hotel remaining broadly similar as at the moment.
- Successful inward investment and a growth in businesses locating in York is likely to see a steady growth in the demand for mid-range and sometimes 4/5\* hotel accommodation. Depending on the number and type of businesses this may support a steady expansion in hotel provision.
- Existing sites (e.g. York Racecourse, Barbican Centre, University) should be promoted to position York more clearly in the meetings/conference market in the immediate and medium term.
- Longer-term, a business conference / convention centre has the potential to create a step-change in the numbers of business visitors, along with the value per head and support an expansion in hotel provision, which is more likely to be 'mid-range' to 'upmarket' in nature than budget.
- International association visitors are an untapped market that would be attracted by such developments.

Without a significant increase in demand for accommodation by attracting currently under-represented but higher value audiences, any expansion of bed-space should proceed with steady caution in order to prevent an over supply and demand stimulated by price cuts in room rates.

The stated ambition of doubling the value will only happen if the visitor mix significantly changes. This means that York needs to make the strategic change to attract the necessary higher value audiences. Positioning York as a business destination to complement its current leisure demand requires more mid to upper scale hotels. Taking this example of rates elsewhere a move to the same rate level as Bath would increase overall yield in York by 33% for the same occupancy level – so using similar multipliers the overall achieved income could increase along the same lines across other areas of spend. E.g. retail, food and beverage and other services.

Given the above, existing properties could fulfil the medium term needs through upgrading and new 4 star level hotels be encouraged as part of the strategic shift to increase business and conference demand.