

W E L C O M I N G
C O M M U N I T I E S :

D E V E L O P I N G
T O U R I S M
I N W A L E S

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INTRODUCTION

Wales has stories to tell.

Tourism is a platform for telling those stories, whether it be about our heritage, language and culture, or the tales of new industries and our focus on sustainability and quality local food in Wales – all have a knock-on effect for trade and investment, in telling people who we are, what we value, and what we do well. Tourism provides a window for Wales to the world, an opportunity to share our values and say who we are, and what we have to offer.

For small to medium sized enterprises in Wales, tourism provides market access where potentially, ‘all the world’s a stage.’ While SMEs are the overwhelming majority of players in the industry, all the players in Wales are important. The brand of Wales needs to be accessible by the widest pool of stakeholders possible.

It is only by having the tools to share their story, that SMEs in Wales can reflect their values and their offer, rather than have it dictated from above. Wales has a depth of history and culture, so empowering SMEs to market this themselves is vital.

Given the opportunity and the means to do so, smaller businesses are perfectly placed to tell – and to sell – our story to visitors in Wales, UK, and the world. Building capability from the bottom up, and on the things that matter to them and their audiences, allows businesses to provide for a stage outside the busy seasons, and look to build skills and markets for a more sustainable footing.

All parts of the puzzle mutually reinforce each other and require taking a concerted and holistic strategic approach based on the pillars of engagement and participation of SMEs in the tourism strategy and implementation. Equally important is building the brand and our stories from the bottom up, developing the sectors capacity and skills and aligning tourist value with wider policy development through the future generations agenda, and the levelling up agenda, shaped for long term development.

The impacts of Covid-19, Brexit and the cost of living remain uncertain over the long term, in terms of the impact of international arrivals, and where they come from. Will ‘staycations’ be a temporary reaction to market conditions, or will this reshape the market and can Wales benefit?

All these questions and uncertainties make for a sector that is buffeted by the current storms. It is important that governments and their agencies look to provide direction, based on clear principles that understand the value of the sector, as well as how to use the current situation to develop and transition the sector for the future.

So, what are the stories of Wales and who should tell those stories in the tourism context? How do we bring together our storytellers, to amplify the message of Wales with authenticity and depth in a way that chimes with our real experiences and values? How do we tell the world who we are and what we stand for?

The title of ‘Welcoming Communities’ conveys many sides to the report, by reiterating the continued welcome from our communities to visitors, but it is also about welcoming the wider community in Wales, and our local business communities into the process of shaping our tourism stories, marketing, and strategies. We all have our stories to tell and our part to play in shaping how we tell others who we are and what we value in Wales.

This report reflects this ideal, and looks at how we can look to use SMEs to the full to develop sustainable tourism for Wales for the future.

LIST OF RECOMMENDATIONS

General

- A Post-Brexit and Post-peak Covid 'Welcome to Wales' marketing campaign should be undertaken both to UK, international audiences, and to the market in Wales

Visitor pledge

Wales should further develop and embed the 'Addo' visitor's pledge and how to best market and implement it

- This would promote ethical behaviour, share information on safety, bookings, and recommendations to disperse activity (ideally in real time), and promote Wales in both languages.
- This should include partnership with the sector, resident groups, and promotion of the pledge across businesses throughout Wales with invitations to sign.
- Thematically it could be addressed to future generations, modelled on the 'Leave No Trace' sustainable travel principles.
- It can also play a prominent part in Visit Wales and Visit Britain websites (such as on the 'Know Before You Go' page), with the latter a means for looking at promoting Wales as a differentiated brand within Britain and aligned to developing a sustainable tourism brand based on wider Welsh 'future generations' policy.
- Welsh Government should explore use of a Visit Wales App, exploring its use as a digital gateway and in providing seamless links to visitor behaviour nudges and safety tips, real time data on visitor peak times and alternative areas to visit, and management and push to promote different access roads to areas, as well as links to transport information.
- This should look to how we can use information gathered through a wider approach on marketing and using (for example) SMEs and individual towns own use of the system to maximise the local curation of the visitor experience.

Regulations

Consistent and fair regulation is important to small business to provide a level playing field, particularly in relation to the 'informal economy.' However, it must be done on a clear, rational, and proportionate basis, so as to retain the trust of the sector and local community alike, and to be monitored for unintended consequences.

- Regulatory strategy should fit within a wider pro-business 'think small first' strategic approach through an Economic Development Bill, as advocated in other reports by FSB Wales.
- Any new threshold must be logically linked to seasonal activity (e.g., number of days expected to be active), or linked to how many days we would expect in an average tourism season and measured on a clear and rational basis.
- The current post-Covid tourism visitor market is very uncertain and unstable, and so such a market analysis should take this into account in a rationale for new thresholds. A possible way to deal with this is to raise the threshold incrementally alongside a review process to identify the market impacts.
- The new proposed licensing regime would appear to be aimed at identifying businesses, and so dealing with the fear of tax evasion and illegitimate use of the business tax system for the avoidance of council tax. Any licensing regime should be considered in rationale for the new thresholds, as an alternative means to identify legitimate businesses in this area.
- A licensing regime could also be used to provide materials for engagement to the visitors through the businesses themselves, on a co-created basis (see next chapter).
- Thresholds could be aligned to provide consistency, such as the 210 days availability and 105 overnight stays as set by HMRC.

Wales Brand

A digital hub for user generated content should be extended for SMEs to create their own materials for their own marketing under the Wales brand.

- Branding and content management should be on a decentralised model to ensure content and marketing can be sourced from a more dispersed pool of images and stories.
- This content would then be monitored and measured for new areas of successful marketing through decentralised approach looking to use SMEs own experience and expertise in their own markets to help Visit Wales's general approach.
- Access by SMEs to the digital hub to build its own marketing would be dependent on signing up to the pledge and code of conduct, on disseminating any visitor pledge and Users should agree on data monitoring by Visit Wales and Welsh Government to track successful campaigns.
- Free translation should be explored as an option throughout this process.
- Visit Wales and Visit Britain should work together with FAW to promote Wales as the smallest country to qualify for the 2022 World Cup and develop the opportunities which come from the World Cup along with partners in business.
- The Welsh language should be better used as a 'hook,' and particularly targeted where this may raise awareness and interest internationally, such as in future trade agreements.
- The Welsh Language should be viewed as a comparative advantage to branding and telling stories of Wales.
- It should be harnessed for promotion materials, and should be used as badge of differentiation and authenticity internationally both within a Welsh and British brand.
- Transport infrastructure needs to be aligned with tourist policy, particularly in rural areas, with a view to developing the sustainable / eco-tourism brand.

Value and tourism tax

At a time of rising costs and stalled economic recovery, discussions on more tax are unhelpful, so tourism tax should be kept off the table at least until the economy recovers.

- UK, Welsh, and local governments should minimise the costs on doing business in the current climate, including measures such as returning the VAT rate to 12.5%, rescinding the National Insurance Contributions hike, and targeted business rates relief.
- A tax is not the only model for capturing value. There needs to be an evaluation of how value is already created locally by SMEs, and any potential perverse outcomes where social value creation is crowded out by a tourism tax.
- A tourism tax needs to account for the changing visitor markets, and assessment of the impact of any tax needs to be clearer than at present.
- The rationale for the tax and the link to government spending must be clear – 'for visitors to pay in for public services' does not provide detail and does not lead to clear hypothecation.
- As with any new tax, a tourism tax should look to be developed and be able to be accountable to principles of good taxation.
- Any tax should align with a wider tourist development strategy, and a model that encourages engagement by SMEs and ownership over strategy should be explored.
- An assessment of the impact of a new tax as a disincentive to other social value activity SMEs should be made before any tax is implemented.

Dispersal of tourists during the year and across locations

Branding should look to market different parts of Wales, aligning the visitor journey from the marketing and journey planning phase through to arrival and journey's end.

- Marketing should look to disperse visitors by deploying ways to attract visitors in quiet season, and as a positive experience.
- One-off, distinctive days outside the busy tourist season such as 'dydd Santes Dwynwen' should be used with a view to prime the industry and business trade in those periods.
- Marketing should look to provide equitable marketing and focus on dispersing visitors to new areas.

- ‘Off the beaten track’ areas should be branded and promoted, as with Iceland’s alternative trails.
- Transport infrastructure should keep dispersal to new tourist areas in mind as an aim. For example, Industrial heritage tourism should be aligned with the new Metro, alongside means of pulling ‘big event’ visitors from Cardiff to the Valley lines destinations.

Building skills

We must build skills toward developing a year-round tourist industry.

- Building skills sits across the wider strategy which would provide impetus to build skills to provide content from the bottom up by SMEs themselves to build capacity and capabilities.
- Welsh Apprenticeships should look to build progressive careers in tourism with accreditation for key skills.
- Developing toward an ecotourism offer should align with building capacity in SMEs with green skills and decarbonisation across all sectors.
- The Young Person’s Guarantee should look to build on such opportunities.
- Skills should fit within accreditation and focus on building progression routes and careers within the sector. This fits alongside a year around tourist offer and more secure employment.

St David’s Day Bank Holiday

There is a growing debate for a St. David’s Day Bank Holiday which has cross-party support in Wales.

- There needs to be an analysis of the economic benefits and impact of any potential bank holiday.
- This would need to align with a wider longer-term development toward a year-around industry and skills development, and prime businesses for activity.
- Marketing for any proposed holiday should promote St David’s Day as a quieter time to visit.

International trade

Visit Wales and Visit Britain should look to new Free Trade Agreements and any new UK trade and investment processes to promote Wales as a segmented market.

- Visit Wales and Visit Britain should work together with FAW to promote Wales as the smallest country to qualify for the 2022 World Cup and develop the opportunities which come from the World Cup along with partners in business.

Key policy drivers

Covid-19 recovery

Tourism and Hospitality was among the hardest hit by Covid-19. Tourism businesses have faced a series of ‘winter seasons,’ as well as the loss of most Christmas trading. While staycations in summer 2021 were positive, members say this does not cover the costs and debts accumulated and emerging signs suggest that this market is falling back as people return to international travel.

This means that businesses are in a particularly vulnerable position. Government support has been welcome, and the support was necessary for the sector as the second largest employer in Wales in 2019 and to ensure recovery for a sustainable key industry for Wales’s future.

Rising costs

The impact of the pandemic and resulting lockdowns have put small businesses in Wales in a vulnerable position. Not only have soaring energy bills, reduced consumer spend, and supply chain concerns contributed to the overall cost of living crisis, but the support initiated to see businesses through the pandemic has since evaporated.

Business rates for the tourism, hospitality and retail sectors have increased from a reduced rate of 100% relief to 50%. The reduced rate of VAT has increased from 12.5% back up to 20%. Meanwhile, additional costs such as national insurance contributions rising by 1.5% for employers are exacerbating already stretched businesses.

In addition, supply chain concerns already in place due to Brexit and the pandemic have been exacerbated by the war in Ukraine.

All these link to the need for short-term support, aligned to a longer-term plan to protect and develop industries and employers for future trends.

Uncertain market changes

Seismic economic changes have resulted in greater market uncertainty. Will we see less international travel and from EU countries? Will there be new global market opportunities? Are 'staycations' here for the long term? The cost-of-living crisis has led to more business costs and less disposable income for many families and prospective visitors too.

The uncertainty calls for a flexible approach that ensures we can grab hold of any new opportunities while keeping an eye to what we wish to achieve in developing the sector for the future.

Environment and decarbonisation

The economy needs to transition to net-zero, and this must also include tourism. There are many challenges here to the mainstream model of measuring success merely by tourist numbers, as there are growing concerns of environmental degradation caused by unrestrained and unmanaged tourism, particularly in sites of outstanding beauty.

The balance in provision for future generations is also to ensure that tourist experiences are available for the future and tourism is retained as a social good and wellbeing product that is available equitably. This is tied to wider policies around decarbonisation, providing an authentic 'ecotourism' offer and potentially provides another story for modern Wales to tell.

Industry and skills development

The Fair Work Committee report notes tourism and hospitality among the industries having high concentrations of low paid work.¹ These businesses form an often-underappreciated area for developing skills, and there are areas of potential to develop on skills. Development would also build capacity and make for a stronger industry.

How can we develop the industry to provide greater security with a year around visitor, and build progression on skills into the system? The building of capacity needs to align with growth for the industry and new opportunities to mainstream new skills on decarbonisation or digital into every tourist business, innovation and skills resulting in a rising tide that lifts all boats.

The current skills shortages in the industry are acute – attracting workers now needs to form a clear strategy for the sector, and an impetus to address this within a wider vision for skills development and practical skills education.

¹ Fair Work Wales: Report of the Fair Work Commission (March: 2019), available at: <https://gov.wales/sites/default/files/publications/2019-05/fair-work-wales.pdf>

1. GENERAL BACKGROUND

Tourism is a key industry. In Wales, it plays a significant role in placing Welsh culture, brand and values on the map for global audiences.

It is an economic force that links across several areas of retail as well as hospitality, it provides a better market for goods and brands, and provides huge opportunities for showcasing and capitalising on Welsh culture as well as our tourist services, bringing in greater investment across different spheres.

UK Government tourism strategy in Wales

As set by UK Government, Visit Britain's five strategic priorities are to:

- grow the value of tourism for the economy
- support the productivity of the tourism industry
- drive the dispersal of tourism value to the nations and region
- deliver tourism growth for Britain
- be the expert advisor to the UK Government and the industry on growing tourism.

The UK's recovery strategy recognises the enormous impact made by the pandemic, as data and projections by Oxford Economics "does not predict tourism in the UK to return in full to 2019 levels of volume and expenditure until 2025... these forecasts are simply not quick enough for a sector with so much to offer."

As such, the strategy looks to the following aims:

- Recover domestic overnight trip volume and spend to 2019 levels by the end of 2022, and inbound visitor numbers and spend by the end of 2023.
- Ensure the sector's recovery benefits every nation and region, longer stays, growing accommodation occupancy rates, and investment in transport infrastructure.
- Build more innovative and resilient industry, maximising technology and data for visitor experience and employing more UK nationals in year-round quality jobs.
- Ensure tourism contributes to the enhancement and conservation of the country's cultural, natural, and historic heritage, minimises damage to the environment and is inclusive and accessible to all.
- Return to pre-pandemic position as a leading destination for hosting business events.

The strategy also notes the need to rebuild UK's wider offer outside London and with 55% of inbound spend in 2019 in London. As such, the strategy is dependent on wider progress on the Levelling Up agenda, and so strategy must link to a clear business support structure. FSB has addressed our concerns in our recent report 'Building Businesses: Building Communities.'²

² Lap Gareth, 'Building Business: Building Communities through Business Support' (FSB: 2022), available <https://www.fsb.org.uk/resource-report/building-business.html>

ECONOMIC IMPACT

To understand that force, its potential and value, the numbers speak for themselves:

As well as these figures, there are wider knock-on benefits in gaining advocates for consumers of Welsh food and drink, culture, and wider trade specialisms. Our export reports have noted that SMEs which export do so on ad-hoc basis, and so increasing contact and widening links add opportunities for trade activity, and potentially provide informal links for further investment.³

In 2019, tourism accounted for



10.4%
of UK
GDP



10.3%
of global
GDP



17.6%
of Wales
GDP



In 2019 tourism accounted for
161,000
of jobs in Wales
(12.1% of employment in Wales)



Globally
1.5 billion
international arrivals were recorded in 2019



In 2019
international visitor spend
in UK was worth
£35.6bn
while domestic spend was worth
£155.7bn
(10.1bn and 58.9bn in 2020)



2019 saw
£6.0 billion

of associated expenditure on tourism trips
within Wales:

£515 million
from inbound
visitors



£3,447 million
on tourism day visits
from GB residents

£2,003 million
on overnight visits
from GB residents



In 2019, there were
10,698,000
overnight domestic GB trips to Wales



In 2019, there were
87,300,000
tourism day visits in Wales



In 2019
1,023,000
international trips to Wales,
with spending of **£515 million**⁴

³ Destination Export (FSB: 2016), available at <https://www.fsb.org.uk/resources-page/destination-export.html>

⁴ All figures are from: World Travel & Tourism Council, UN World Tourism Organisation, Welsh Government Visitor Economy profile and Tourism Performance 2019

Welsh Government Tourism Strategy

Welcome to Wales: Priorities for the visitor economy 2020 – 2025, was launched in January 2020. Its stated ambition is to grow tourism with a focus on skills development, equitable economic growth, environmental sustainability, social and cultural enrichment and health and wellbeing.

The Cymru Wales brand will be delivered by a digital-first industry and the development of a Visit Wales 'Centre of Excellence' for digital innovation. The Centre will function as a physical hub for the brand, a creative space for professionals in the sector to work together as well as running webinars for businesses.

The pandemic has impacted on the aims published in 2020. Visit Wales changed their prominent campaign of "Visit Wales" in late March 2020 to "Visit Wales. Later." The impact of this strong message, in addition to the legal requirements to 'Stay Home' of course saw a significant reduction of visitors. Now that the legal requirements have ended, the small businesses we spoke to in focus groups for this report were keen to note a need to push a 'welcome back to Wales' approach. A consideration will need to be given to future brand strategies to move the industry beyond the post-Covid landscape.

Recommendation:

- A Post-Brexit and Post-peak Covid 'Welcome to Wales' marketing campaign should be undertaken both to UK, international audiences, and to the market in Wales.

2. TOURISM CHALLENGES

It is often easy to view controversies about visitors as being a specifically local or Welsh issue, given that it is in local press that one would encounter these stories. However, it is worth looking at examples globally:

- New Zealand: Tour Group had to be rescued trying to walk barefoot to Mount Ngauruhoe, re-enacting the Hobbits' march to Lord of the Rings Mount Doom.
- Nepal: Queue of climbers block 'death zone' summit of Mount Everest.
- The historic centre of Amsterdam becoming a safety concern due to crowding near canals leading to people falling into the water.
- Rome – It is now forbidden to sit on the Spanish Steps.
- Venice – Tourists Skinny dipping in the canals.
- Japan – Tourists chasing Geishas down the street.⁵

While these complaints can make great copy and clickbait, they can also serve to shape or reinforce an 'us and them' narrative.

Social media can also create unsustainable tourism in areas that do not have the capacity to cope with them. There are concerns of crowding around 'honeypot' areas – with Wales having its share of stories in this vein.

This raises questions about the role of ethical and sustainable tourism, both from the expectations of visitors as ethical tourists and the role of destinations in managing tourism and ensuring it spreads and disperses in a manageable fashion that provides better benefits for visitors and residents alike.

Tourism and residents

Perception is important and an 'us and them' narrative does no favours to anyone. Nonetheless, it is important that public concerns are addressed and tackled. This is the same as managing any large gathering of people, mitigating the effects of large groups arriving at one time.

This provides an opportunity for policy intervention and management, and to provide reassurance to resident communities that the system is geared to their benefit as well as providing a vision for how Wales links itself to visitors' experience.

Just as local tourism headlines internationally show Wales is not unique in the challenges it faces, other countries, regions and localities have provided policies to deal with issues and maximise the benefits. If we move to view tourism more strategically as an industry that underpins our economy, we must then support businesses to maximise value, while also managing the distribution and impact of it.

Key proposal: Visitor pledges and mechanisms for behaviour nudges

Countries and regions including Iceland, New Zealand, Colorado, Yellowstone, Big Sur, and Hawaii have adopted tourist pledges to influence tourist behaviour.

Citing research from 'Leave No Trace' Colorado's 'Are you Colo-ready?' pledge and tips on trails and disposing of waste takes this approach as 'the best way to influence visitor behaviour is at the planning stage.'⁶

Iceland's pledge includes a promise to take photos safely and only camp in designated areas, and is linked to cooperatively funded 'SafeTravel.is' platform that provides for itinerary booking and activity specific safety information, weather conditions, recommendations all available digitally through a smartphone app.

⁵ L M Honey & K Frenkiel, *Overtourism: Lessons for a Better Future* (Island Press: 2021); CNN Travel, 'Is the conduct of tourists getting worse?' <https://edition.cnn.com/travel/article/tourists-behaving-badly/index.html>

⁶ Ibid

The “Tiaki Promise – Care for New Zealand,” encourages all visitors (and residents) in New Zealand to commit to behave in ways that protect the environment, respect culture, and keep everyone safe:

“While travelling in New Zealand I will: care for land, sea and nature, treading lightly and leaving no trace; travel safely, showing care and consideration for all; and respect culture, travelling with an open heart and mind.”

The Micronesian country of Palau has placed its pledge on its visa page, requiring it to be signed at the entry stage. More significantly for Wales perhaps, it is addressed to the next generation:

“Children of Palau, I take this Pledge, to preserve and protect your beautiful and unique island home. I vow to tread lightly, act kindly, and explore mindfully. I shall not take what is not given. I shall not harm what does not harm me. The only footprints I shall leave are those that will wash away.”

Wales has its own pledge, ‘Addo’ (‘Promise’). It was launched to encourage visits to Wales as the visitor economy opened up from Covid-19 restrictions. There is room for this idea to be further developed and embedded.

As noted in the literature, a visitor (and resident) pledge does not do much by itself – the New Zealand pledge has the support of key industry players and across government, operators, and businesses as well as residents to make awareness of the pledge. Across all the countries cited, social norms and coordinated governance are viewed as key to success, and the pledge is only the public facing part of that wider strategy.⁷

As such, a pledge developed across levels of governments, institutional bodies and with businesses would provide a means of sharing and creating a common story for visitors and residents of what Wales’s hospitality entails and the relative responsibilities and norms and address any particular concerns. Such a pledge would be entirely consistent with the narrative and intention of the Well-Being of Future Generations Act in Wales.

SMEs would be vital to distribute information and so it is important that they participate in the process, see its worth and how this would fit with other administrative proposals (such as if there were a tourism levy or licensing regime).

Recommendations:

Wales should further develop and embed the ‘Addo’ visitor’s pledge and how to best market and implement it.

- This would promote ethical behaviour, share information on safety, bookings, and recommendations to disperse activity (ideally in real time), and promote Wales in both languages.
- This should include partnership with the sector, resident groups, and promotion of the pledge across businesses throughout Wales with invitations to sign.
- Thematically it could be addressed to future generations, modelled on the Leave No Trace sustainable travel principles.
- It can also play a prominent part in Visit Wales and Visit Britain websites (such as on the ‘Know Before You Go’ page), with the latter a means for looking at promoting Wales as a differentiated brand within Britain and aligned to developing a sustainable tourism brand based on wider Welsh ‘future generations’ policy.

Housing and local workforce

One of the more complex issues raised by tourism, in particular new platforms such as Airbnb, is the impact on local resident housing, with protests seen across many European cities and across rural areas with limited local housing stock. In Wales, this discussion is often also linked with the wider conversations about the affordability of homes in popular tourist destinations.

⁷ Ibid

These have varying effects on different small businesses – on the one hand visitor spend is undoubtedly beneficial, however fewer people in the area for many retailers and hospitality can have an impact on footfall outside the tourist season, making opening year-round more difficult. Moreover, in a time of skills shortage, a lack of local resident workforce has an impact on their capacity, especially in rural areas. SMEs are embedded in their areas – as one focus group respondent noted, children and family often struggle for housing, so this is not an abstract ‘external’ issue. On a more transactional basis, the importance of clear and well-enforced regulation to professional hoteliers, B&Bs, and letting businesses, as they can be under competitive disadvantage when local Airbnb’s operate without necessary insurance, protections and health and safety:

“We need an overhaul also of the business rates system which unfairly impact small businesses and we also need to make legislation to combat the unregulated Airbnb market which is really impacting serviced accommodation...You can’t just leave it to the market. Legislation needs to be put into place very quickly.”

Hotelier, North Wales

“I agree with sorting the unregulated area of Airbnb. There are so many people out there who I would be very worried if they are compliant with health and safety, they just put these rooms on Airbnb, and don’t always think through what they need to do to keep customers safe. So, I’m all for regulation and making sure that we’ve got professional operators but making it achievable for the professionals out there.”

Accommodation provider, South West Wales

A number of countries have introduced regulations, with many done at a localised level according to the particular problems raised. For example, Valencia regulates against short term lets above the first floor, as this means that the better views (and ones that get priced out) are for residents, and any building only used for lets requires a hotel license.⁸ Barcelona has introduced zoning measures, cracked down and fined platforms such as Airbnb and HomeAway for unlicensed rentals. In Madrid a let must have its own individual doorway entrance, to mitigate against loss of community cohesion in flats, Madrid allows apartment owners to collectively decide to ban holiday lets and requires license for properties let out for more than 90 days a year (the opposite of proposals in Wales). Regions and cities in United States have also put many curbs in this area.⁹

These are interventions that work best if they are clearly addressing the local problem and doing so in a targeted way, with a suite of different measures available for local use, rather than a one size fits all approach.

The Welsh Government has been consulting on holiday lets and summer homes and is planning regulatory licenses for new lets in areas with housing issues (normal in many areas) and a new threshold whereby a property must be let for 182 nights (from 70 days) a year to be classed as a business and not residential property.

This is a very high rise in the threshold, and concern was raised by our focus groups although the concern was more from rural areas than urban areas. 182 days equates to 26 weeks fully booked, with one accommodation provider noting it was ‘virtually impossible’, particularly for large properties aimed at families which apart from school holidays only lets at weekends. As such it risks a blunt one-size-fits-all approach, not adapted to local circumstances or particular types of lets. As well as properties size, in some localities there is currently a lack of tourist activity and provision, but it may be beneficial for it to be incentivised, as we to look to spread tourist destinations away from honeypots. The system needs flexibility to adapt to such needs too.

⁸ El Pais, “Valencia joins the fight against holiday rentals” (May 9 2018), available https://english.elpais.com/elpais/2018/05/09/inenglish/1525851010_505130.html

⁹ M Honey & K Frenkiel, Overtourism: Lessons for a Better Future (Island Press: 2021)

Recommendations

- Consistent and fair regulation is important to small business to provide a level playing field, particularly in relation to the ‘informal economy.’ However, it must be done on a clear, rational, and proportionate basis, so as to retain the trust of the sector and local community alike, and to be monitored for unintended consequences.
- Regulatory strategy should fit within a wider pro-business ‘think small first’ strategic approach through an Economic Development Bill, as advocated in other reports by FSB Wales
- Regulation – or a lack of enforcement by authorities – should not lead to an unfair impact on legitimate businesses.
- Any new threshold must be logically linked to seasonal activity (e.g., number of days expected to be active), or linked to how many days we would expect in an average tourism season and measured on a clear and rational basis.
- The current post-Covid tourism visitor market is very uncertain and unstable, and so such a market analysis should take this into account in a rationale for new thresholds. A possible way to deal with this is to raise the threshold incrementally alongside a review process to identify the market impacts.
- The new proposed licensing regime would appear to be aimed at identifying businesses, and so dealing with the fear of tax evasion and illegitimate use of the business tax system for the avoidance of council tax. Any licensing regime should be considered in rationale for the new thresholds, as an alternative means to identify legitimate businesses in this area
- A licensing regime could also be used to provide materials for engagement to the visitors through the businesses themselves, on a co-created basis (see next chapter).
- Thresholds could be aligned to provide consistency, such as the 210 days availability and 105 overnight stays as set by HMRC.

Value capture, tourism and communities

The question of how we ensure we get value for tourism locally and for Wales is a little less easy to measure than the macro-level figures already discussed. It requires an understanding of where the public gains and harnessing the value of tourism for development.

At present, this discussion in Wales has largely been around a tourist tax, as the most controversial aspect of discussion. It has often served as a proxy for complex policy discussions around value, intertwined across many agendas.

The details of any tax remain to be seen and for too long, this discussion has taken place in the absence of detail which has been unhelpful for the policy debate and of understandable concern to the sector. Therefore, this section will address discussions around value and taxation in terms of principles and practical implications and implementation – asking the question ‘what is it there to do and how can it serve economic development for SMEs best if enacted at all?’

Recommendations:

- At a time of rising costs and stalled economic recovery, discussions on more tax are unhelpful, so tourism tax should be kept off the table until at least the economy recovers.
- UK, Welsh, and local governments should minimise the costs on doing business in the current climate, including measures such as returning the VAT rate to 12.5%, rescinding the National Insurance Contributions hike, and targeted business rates relief.

However, there is a legitimate discussion to be had on spreading the value of tourism, and while a tax is not an answer in itself, it is important that a discussion on it be placed on the right footing, on economic and tourism development as a whole. Therefore, this discussion aims to place the tax in the wider aims:

- What is it for?
- If in place, what can it achieve?
- Are there alternatives that can do similar things better?
- What are the practical implications?
- How would it link to a wider tourism strategy that we have already discussed?

What our members say

Our members have expressed real concern at the idea of a tourist tax, particularly in the current difficult climate.

It was noted in discussion that the wider tax landscape needs to be accounted for, noting that the current 20% VAT level for tourism and hospitality in the UK is much higher than in Europe, with one participant noting 'local people don't appreciate what a massive impact to taxation Tourism is having already.'

There was also concern that the tone of the discussion led to bad messaging for Wales, with one noting that the idea of 'welcome back – we really want you and to tax you' was unhelpful. Another point noted was that alongside 'rising National Insurance contributions, business rates coming back in, the sector skill shortage and the cost of living going up...And the talk of the tourism tax is very much hitting business confidence in that wider context.'

It was also noted that the fear of tax burden would be mitigated if it was clear what it would be used for, with one stating if it was clearly 'to promote sustainable tourism and that tax was going into electric charging points or something like that and that was dedicated to do that, then then people might not mind then, but *shrugs*'. It was noted that if a tax led to toilets being cleaned, no potholes, infrastructure to help, then many would be able to 'fall in line.'

There was also suspicions conveyed that a tax will be used largely for revenue-raising, with the feeling that it will be a 'cash cow' for cash-strapped councils, with one participant afraid that it would be seen as 'profiteering' on the sector, and that it undermined a collective effort, with a feeling that it could lead to an 'us and them' relationship between the sector and local government.

One member summarised the question as follows:

"What is the purpose of bringing in a tourism tax? Is this just simply to bring in extra revenue which can be used anywhere? Will it be Welsh Government that gets the money? Will it be local authorities that get the money? Will it be ring fenced for infrastructure to help with parking and toilets? And not just replacing the pot of money that's already being used. It needs to be in addition to what every local council is already spending on tourism."

Accommodation provider, North Wales

The current uncertainty and lack of clarity on what the tax will be is serving as a lightning rod for different issues and problems, working against the engagement work and strategic approach. Any discussions on tourism tax must therefore be placed in the context of economic development strategy and engagement with the sector.

Community value, tourism services and SMEs – where we are now

Small businesses in the tourism sector already provide benefits locally, through employment and tax gains, as well as contributions to the social economy.

Many businesses we spoke to play a part in providing services in their areas. For example, we are aware of many environmentally conscious businesses that provide transport for guests or people who come to their attractions.

Many businesses that would be affected by a tax may also take part in BIDs – where there is a vote for an increase in business rates of 2% that is earmarked for development of the town centre where the businesses are situated. Initiatives such as these, where money is clearly earmarked and the benefits accrued are easily recognisable to those paying the fee to mutual benefit, could be more difficult to pass if a business feels it is being asked to pay more twice. It should also be noted that elsewhere in the UK, there are sectors 'BID' Initiatives, 'Tourist Business improvement Districts' that work on a similar basis. Again, this is a model that would potentially allow better network building, transparency, for businesses to themselves identify needs, and to see the benefits directly.

The danger in terms of making a tourist tax discretionary for local authorities is that the link to spending and benefits may be less direct, and there is a suspicion among our focus groups that it would be lost into the black hole of local government funding gaps, with little link to developing the sector. Given tight budgets, this is an understandable concern, and it would need to be addressed directly.

Recommendation:

- A tax is not the only model for capturing value. There needs to be an evaluation of how value is already created locally by SMEs, and any potential perverse outcomes where social value creation is crowded out by a tourism tax.

Principles for new taxes

Even in prosperous times, SMEs live on tight margins and increased costs will make businesses – and so local economies – more vulnerable. FSB views any changes to tax system as needing to consider the primary principles of taxation to ensure that the system is fit for purpose:¹⁰

- **Fairness:** each business should pay its fair share of taxes, and the rates paid should be similar to those conducting comparable activities. Equally, businesses should be receiving any reliefs to which they are entitled.
- **Adequacy:** the tax collected by government should be enough to cover government expenses on public services.
- **Simplicity:** each taxpayer should have a clear understanding of the tax system, the taxes they need to pay, when their liabilities are due, and how much is due.
- **Transparency:** taxpayers should have an understanding of how their tax payments are being used.
- **Administrative ease:** the payment of tax liabilities should be a simple process that is not burdensome to either the taxpayer or the tax collector.

The tax system should also account for neutrality and potential harmful effects on the economy through the suppression of business activity. There are occasions where non-neutral taxation can be appropriate, for example, when policy outcomes rely on using taxation as a tool, such as the possibility of green taxes to reduce carbon emissions. Where taxes are not neutral, this should be due to a conscious and open policy choice to influence behaviour, rather than an unintended consequence.

A tourism tax – Why, and why now?

As things currently stand, the Local Tourism Levy would be applied to overnight stays in Wales. The decision to charge a levy would be left to individual local authorities, and the money raised would be invested into the local authority area. The fee charged is currently undecided.

As it stands, the Welsh Government’s discussion and basis for the tax is for ‘visitors to pay in for services’ and is aimed at overnight tourists, but this is not yet specific enough. The takings of the tax are not clearly hypothecated for tourism development (or for the sector to see that link), and there is no current coherent policy within wider strategy.

Given that the details remain uncertain, this report explores the general principles we should be considering in any tourism tax policy. A tax should not sit in isolation from wider economic imperatives. We should be cautious of doing it ‘because we can.’

Similarly, importing the tax as one facet of a wider tourist strategy risks missing the point and using tax for a purpose. For example, Barcelona’s response to its specific issues do not amount solely to a tax, but is part of a ‘multidimensional strategy’ which created 261 measures that ‘recognises that the challenge is not simply managing tourism in isolation, but managing a city dominated by tourism’ and its implementation also looks to ‘break down barriers that have traditionally separated tourism from the rest of the city’.¹¹ It is aimed at being cross departmental to integrate tourism to wider planning and economy, and creating a ‘Tourism and City Council as an open, diverse, and participatory civic body’ to that end.

¹⁰ D Park, ‘A Duty to Reform: Making Tax Work for Small Businesses in a Digital World (FSB: 2021) <https://www.fsb.org.uk/resource-report/a-duty-to-reform.html>

¹¹ M Honey & K Frenkiel, *Overtourism: Lessons for a Better Future* (Island Press: 2021)

This wider strategy and these measures were aimed at 3 core principles: (1) to maximize the social return from tourism activities for local neighbourhoods, (2) to improve the integrated management of tourism, and (3) to build different strategies across the territory using a bottom-up process.

As such, the tax is also looking to facilitate economic development and not looking at a tax as a 'compensatory' element or a sort of 'sin tax.' Projects include the following:

1. Impulsem el que fas! ("We promote what you do!"), designed to provide financial subsidies to socio-economically innovative tourism projects and businesses. Such as a project to connect tourism accommodations with sustainable sources of food, cleaning products, and office supplies.

2. Training for Tourism Companies to encourage tourism companies to adopt environmentally and socially sustainable practices, with an emphasis on working conditions and personalised help to companies.¹²

It is not enough to view and develop tourism through the lens of tax alone, it must serve to develop both the sector and local governance.

Tourism tax as a 'Participatory Levy System': a model for discussion

While our members have expressed real concern at the idea of a tourist tax, particularly in the current difficult climate, our focus groups provided constructive discussions on what it should achieve, if in place. A link to results and value for the industry through hypothecation would be welcome.

There are lessons for government to learn in how the tax is communicated, and its link to better engagement, which can be learned from existing practice by SMEs themselves:

"We charge a membership fee to all our campers. So, in addition to their place, every booking must pay £12 to join the club for a year.

It's all about messaging. In the 5 – 6 years we've been going, we've only had one or two people who have not taken that cost well. Because of the fee people have bought in to what the Greener Camping Club is about, and they've bought into the idea of reinvesting funds in environmental projects as well. We run it on a not-for-profit basis.

It would depend on where that money is put back into the industry, how that is explained to the people that are paying that tax. Because I think otherwise it will put people off and it is going to be difficult to engage with tourists and justify why their costs are increasing.

Camping Site, South West Wales

With these lessons in mind, we look to a possible model to aid the discussion. Rather than a final fully worked up model, this looks to provide an illustration of how to link taxation with wider strategy, messaging and buy in from visitors. It also explores implementation and engagement with SMEs, and transparency around where the money goes and for what ends.

A participatory tax system

One model that could be followed is broadly similar to the original plastic bag levy in Wales, where business owners decide which charity the levy would go to.

This has the advantage of giving businesses power over where the money raised should go. The disadvantage in the context of a tourist levy is that the hypothecation to local tourism development would be lost if all businesses could choose any charity of their choice.

¹² Ibid

A variation could therefore be that businesses are provided with a list of local projects linked to tourism development, and that they could nominate which project they wish the money to go to. This would allow them control over where their money goes in terms of its aims and vision, its geographical location (whether in the direct vicinity). If they wish they could have at the top 'no preference' and the council would allocate the funds.

To provide a framing within a wider vision and strategy, the council could nominate a certain number of listed projects. This would also encourage a level of engagement with the budget for tourism and allow council to share its vision directly with SMEs, as well as allowing SMEs a say themselves. This also provides information so that SMEs can engage and decide where 'their' money raised should go.

This would address some of the main fears of direct link of the levy with tourism project, provide efficacy for the business owner, provide for better information sharing and so sharing and ownership over a vision for tourism through the administration of the tax, and so bring in a model of engagement and vision building and strategy into the bricks of any prospective tourism tax. The main question would be around the administration cost and time, and this is an area that would need to be explored.

Recommendations:

- A tourism tax needs to account for the changing visitor markets, and assessment of the impact of any tax needs to be clearer than at present.
- The rationale for the tax and the link to government spending must be clear – 'for visitors to pay in for public services' does not provide detail and does not lead to clear hypothecation.
- As with any new tax, a tourism tax should look to be developed and be able to be accountable to principles of good taxation.
- Any tax should align with a wider tourist development strategy, and a model that encourages engagement by SMEs and ownership over strategy should be explored.
- An assessment of the impact of a new tax as a disincentive to other social value activity SMEs should be made before any tax is implemented.

Any proposed model needs to fit within a wider framework of economic and tourism development. Added uncertainty and no engagement with the sector tasked with implementation would be damaging to trust and partnership working across government and business. As such we would urge Welsh Government to be clear in its objectives and urge that the timelines are clear on when any additional burden may fall on SMEs in the sector, and what the expectations should be.

3. THE WALES AND BRITISH BRAND

Wales has a unique position in terms of brand opportunity, being both within and differentiated from a British brand. While some view this as confusing, it presents more opportunities and should be viewed as a comparative advantage.

This flexibility is well understood within businesses in general, and different businesses will use divergent branding and marketing, using a mix of both or as suits them. In 2020 we asked members how important the Welsh and British brand is to business. In response, 42% of SMEs noted the Welsh brand mattered to their products or services, and 39% saying the same of the British brand.¹³

Alongside this flexibility and different segmented markets that can be utilised as necessary, branding in its British, Welsh and Welsh/British guises needs to be adaptable to fit into the needs of the variety of stakeholders. From destination managers to accommodation providers of all shapes and sizes, ensuring the brand is flexible enough to fit to a distinct local cultural identity in an inclusive way, and able to develop for new attractions. How are SMEs across Wales in disparate sectors playing to different audiences from their own milieus able to identify, take part in and promote the Wales brand?

As the Digital Tourism Think Tank (DTTT) put it in an interview with Visit Wales on their approach:

“In destination marketing, branding is not about logos. It’s a holistic, 360-degree approach to crafting, developing, and nurturing an authentic identity for the destination.”

The question of who and how and to whose needs that identity is shaped authentically is the question, and how SMEs can harness and use it to their own markets, alongside building capacity to do so.

Wales Brand – What our members say

There was general debate in our focus groups that, in international terms, the Welsh brand tended to be subsumed in the British/English brand, partly due to lack of awareness of the differences.

“That is my point with the Wales brand. It may be coming across as seeing where we got this Welsh flavour to everything, but people still think we’re in England. And it’s not really leading to any sales for us.”

Natural Attraction site, Mid Wales

Some discussion was that the Wales brand was effectively branded to England and the rest of the UK, but not so internationally.

“I think that the Welsh Government don’t do a good job of marketing Wales internationally. But I actually feel they do a reasonably good job of marketing it to the English...We all have like 90 plus percent of our customers are coming from England.”

¹³ Lap Gareth, ‘Building Business: Building Communities through Business Support’ (FSB: 2022), available <https://www.fsb.org.uk/resource-report/building-business.html>

“If you look at Visit Wales’ most recent marketing, I feel that they actually grasped what is good about Wales. You know, the language, the culture, the people, the outdoors, the wildness.”

Activity Attractions Site, South Wales

There was some disagreement on this latter point, with seeing the breadth of what the brand promoted as too narrow.

“People go around the world to go look at the dolphins and whales. Visit Wales don’t seem capable of promoting the fact that we’ve got Europe’s largest semi resident population of Bottlenose Dolphins – The cute ones that everyone wants to see. And there’s a massive drive against seeing dolphins in captivity now.”

Activity and Attractions site, West Wales

This raises the question of how SMEs can themselves bring in content to provide for their needs and specialisms.

Some viewed the marketing as too narrow and this created issues around honeypots becoming overcrowded while other nearby spots were neglected, linking together the marketing with destination management and dispersing visitors more sustainably:

“(Visit Wales) need to be more equitable about their marketing. They need to discover off the beaten track places, promote places that need promotion. So, for example, last year, visit Wales had the promotion about Llangollen. It’s heaving all the time anyway...So it’s that kind of attitude, you know, don’t just market the big selling points – tell us about the other places which are equally as good an attraction.

Hotel, North East Wales

So as far as marketing Wales goes, what we’ve always said is we need to market for the less busy periods. We need to show empty beaches and snowy mountains on this footage because a lot of people really like to come at that time of year, you know, and they’d much rather do that then come when it’s absolutely heaving with traffic, and it suits all the locals on the tourism business better.

Nature Attraction site, North West Wales

Such marketing has been explored elsewhere, both in terms of marketing for year around offers, but also for linking dispersal of visitors to new areas. One example is the Shetland’s Isle of Skye’s #Skyetime campaign, urging visitors to ‘slow down, see less and experience more,’ which looks to address issues of congestion and crowding in its big five sights.¹⁴ Its tagline is ‘Stay Longer, See Less. Experience More.’

Similarly, Iceland has marketed an ‘Arctic Coast Way’ in 2019, looking to draw visitors away from its ‘Golden Circle’ sights. It did not create any new paths; it was only the naming of these roads and paths together as ‘coast way’ that was new. This suggests Wales can market anew paths that are ‘off the beaten track’ as it were.

¹⁴ The Scotsman, ‘Isle of Skye: Tourists urged to ‘slow down, see less and experience more’ of the island’ (31 May 2019) <https://www.scotsman.com/heritage-and-retro/heritage/isle-skye-tourists-urged-slow-down-see-less-and-experience-more-island-69934>

Recommendations:

- Branding should look to market different parts of Wales, aligning the visitor journey from the marketing and journey planning phase through to arrival and journey's end.
- Marketing should look to disperse visitors by deploying ways to attract visitors in quiet season, and as a positive experience
- Marketing should look to provide equitable marketing, and focus on dispersing visitors to new areas, as in Isle of Skye.
- 'Off the beaten track' areas should be branded and promoted, as with Iceland's alternative trails.
- One-off, distinctive days outside the busy tourist season such as 'dydd Santes Dwynwen' should be used with a view to prime the industry and business trade in those periods.
- Transport infrastructure should keep dispersal to new tourist areas in mind as an aim. For example, Industrial heritage tourism should be aligned with the new Metro, alongside means of pulling 'big event' visitors from Cardiff to the Valley lines destinations.

Several participants noted that their business marketing for their own firms was highly targeted, with many paying for social media targeting, having finessed this during the pandemic. They shared that they knew their markets well, and how they adapted to new audiences as their business changed. This should be viewed as having untapped potential if we were to join the dots from Governments to SMEs own needs and marketing.

It was also noted that in terms of marketing, SMEs had to adapt and build capabilities online and target their specific markets during Covid, for their business to continue at all during the pandemic. From detailed discussion on the merits and experiments made across different social media platforms due to Covid-19, focus group participants had built their social media capabilities and capacity within their business to varying degrees, indicating more capacity within the sector in these areas to harness than prior to the pandemic.

Skills shortages are a key issue for the industry, and this could be addressed within the whole strategy. In this way, the strategy for growing the industry sits side by side with developing the skills in the sector, geared towards the skills that would develop the businesses further for the future (such as green skills, marketing and digital):

- Build skills toward developing a year-around tourist industry.
- Building skills sits across the wider strategy which would provide impetus to build skills to provide content from the bottom up by SMEs themselves to build capacity and capabilities.
- Welsh Apprenticeships should look to build progressive careers in tourism with accreditation for key skills.
- Developing toward an ecotourism offer should align with building capacity in SMEs with green skills and decarbonisation across all sectors.
- the Young Person's Guarantee should look to build on such opportunities.
- Skills should fit within accreditation and focus on building progression routes and careers within the sector. This fits alongside a year around tourist offer and more secure employment.

In terms of use of the brand, some had found the thematic Visit Wales campaign useful, although some acknowledged they had not taken advantage of them as they could have.

"The concepts from Visit Wales marketing team about the year of 'X' type things are also extremely useful and they've been very successful since they instigated them maybe five or six years ago as a hope to hang things on smaller businesses...it needs lot of forward planning. So, it's no use telling us in December 2022 what the year of 2023 will be. We need to know January 2022. To plan things around those themes, that's the problem with a lot of initiatives which are very last minute and they kind of run over the timing so that we don't find out until it's slightly too late to hook on to them."

Hotel, North East Wales

Thematic days – particularly outside the tourist high season – were also highlighted as useful, with some viewing Santes Dwynwen day being celebrated and marketed more effectively a few years ago as being very effective in priming businesses in January and in providing business.

The Welsh Language was seen as a boon by participants, with the minority not actively providing bilingual signs being encouraged by others to do so from a marketing perspective, as they had found it effective. Interestingly, it was seen as a marketing asset for non-Welsh speaking visitors – especially from outside Wales – more than Welsh speakers themselves

“Visitors really like the Welsh language up here. They love the fact that they’ve got ‘araf’ on the road and this kind of stuff and it is very positive. I’m not from Wales originally. I lived in Wales a lot as a child on and off, but I’m not originally Welsh, you know, but been here 15 years. My kids are completely bilingual, you know, and that’s a really important part of what we do on our products. And it’s very much, if anything more, targeted at the visitor. It’s about the people who aren’t Welsh and the fact that they actually have this experience, so that without sounding funny, they realise they’re in Wales because it’s very easy not to otherwise.”

Nature Attraction site, North West Wales

“We’re known as one of the Welshest pubs in the world and we certainly use that branding to sell us abroad and in England and Scotland and wherever else we can get customer. I don’t care where they’re from as long as they hear about us.”

Pub owner, North West Wales

Engagement with businesses has highlighted that the Welsh language is a positive experience for visitors, but something that they often were not aware of before visiting.

As such the link with projecting Welsh culture and language internationally fits with a differentiation from elsewhere and a badge of cultural authenticity within the brand. This fits with the wider international relations strategy and awareness-raising and should be linked to wider export and trade activity and promotion in any post-Brexit new trade agreements. Events such as the 2022 World Cup should provide a platform for centralised marketing and messaging from Visit Wales and Visit Britain, aligned to a pledge.

- The Welsh Language should be viewed as a comparative advantage to branding and telling stories of Wales.
- It should be harnessed for promotion materials, and should be used as badge of differentiation and authenticity internationally both within a Welsh and British brand.
- Visit Wales and Visit Britain should work together with FAW to promote Wales as the smallest country to qualify for the 2022 World Cup and develop the opportunities which come from the World Cup along with partners in business.
- Visit Wales and Visit Britain should look to new Free Trade Agreements and any new UK trade and investment processes to promote Wales as a segmented market.

Our focus group were largely business owners who were not Welsh speaking, but for whom the Welsh language was an opportunity for branding, and something that was particularly appreciated by visitors from outside Wales. In this way, the use of Welsh language signs was felt to be particularly welcomed by non-Welsh speakers and were part of their branding of Wales as a unique experience. Business in our focus group encouraged others that had not given this much thought to do so and to look at the wider benefits of it as place marketing. The link to wider marketing of local products was also valued.

In terms of Welsh branding in the future and what could be a selling point, we asked whether an 'Ecotourism' brand was a likely sell. It was agreed that sustainable tourism was vital for the future and would be important to consumers, especially younger people. It was noted that countries such as Costa Rica (with 98% of energy from renewables) was far ahead at present. It was also noted how much any ecotourism offer was dependent on wider step changes in public transport, renewable energy, and infrastructure:

“Costa Rica is a country that you think of being an ecotourism destination. But you can't say you are if you aren't. So there needs to be a lot of work done before I think Wales can market itself as an environment friendly destination.”

Activity Attraction South Wales

“We are a long way off being an eco-destination in Wales and it is the infrastructure to actually support that. Although Pembrokeshire apparently is leading in terms of recycling as one element, the actual provision for hospitality businesses to support that is pretty poor.

So, it's very difficult for us to then reinforce approaches like waste and recycling. We're very keen to promote more sustainable tourism through walking holidays and not using a car– but you can't do it with the bus routes that we have.

It would be great to see the Welsh brand becoming akin to sustainability in ecotourism, but that's not the Wales brand out there because we're a way off being anywhere near an eco-destination.”

Campsite, South West Wales

Branding needs to align to concrete wider policy development on sustainability and align with the wider cultural strategy such as on the Welsh language.

Recommendation:

- The Welsh language should be better used as a 'hook,' and particularly targeted where this may raise awareness and interest internationally, such as in future trade agreements.
- Transport infrastructure needs to be aligned with tourist policy, particularly in rural areas, with a view to developing the sustainable / eco-tourism brand.

Finally, many noted how storytelling is the most important aspect, and giving room for people to share stories was a great marketing tool, noting that “people like stories and they like fun.” This brings the question of how SMEs can develop, access, and promote their stories.

The Visit Wales Brand – Who tells our stories?

Visit Wales have undertaken significant rebranding over recent years with the following objectives

- 1) Elevate Wales' status by delivering outstanding brand communications and projects for Wales.
- 2) Surprise and inspire our audiences, creating a boosted profile for Wales.
- 3) Reinforce positive perceptions of our country.
- 4) Do good things, and create a lasting, meaningful and sustainable legacy.
- 5) Be unmistakably Wales, bringing a strong sense-of-place and authenticity to the approach in order to stand-out.

As Visit Wales have stated:

“The brand provided the platform from which we created our content strategy. We wanted to create a digital ecosystem of Wales’ most engaging stories. Stories that create surprise, discovery, and insight about our modern nation. Local stories with global impact told with our voice from an objective, experienced, human viewpoint. Stories that enable a global audience to choose Wales in their given sector.”¹⁵

These are laudable aspirations and if successful would allow the linkage across our wider stories with fitting to markets individual stakeholders and communities may wish to build on.

There is certainly a need to steer and provide professional assistance and a central platform. Nevertheless, there is a potential tension between providing that central steer and providing for a platform that can be shaped by content by SMEs for themselves, that is flexible to their needs while remaining consistent. However, it is not an either/or choice, as there will be areas of activity suitable to a central Visit Wales organised approach, and others where the brand can be taken on for segmented marketing.

These are laudable aspirations and if successful would allow the linkage across our wider stories with fitting to markets individual stakeholders and communities may wish to build on.

The Visit Wales website host a digital portal providing a hub for video, illustrations, infographics, logos and other supporting materials for businesses to download and use.

While there is a welcome step to ‘digital first marketing’ outlined in the plan, it is also still top-down. Providing a steer from the top with professional support is part of the process and to be welcomed. Central hooks are important, clearly agreed messages and outward projection is vital to take advantage of opportunities to promote Wales, such as in the 2022 World Cup.

However, there is also a problem if SMEs and sectors cannot engage with the brand on their own terms, as that provides avenues for peer-to-peer marketing and provides for content provision built for segmented markets. A commitment to a decentralised approach based on a more open-source approach that allows SMEs to use the brand rather than a gatekeeper ‘copyrighted’ model is required. Technology could be easily harnessed to provide for consistency while allowing the brand to be better used by individual businesses.

Visit Wales’ online portal and hub could be further extended to create room for experimentation and thus for SMEs to use the skills many have built during the pandemic in targeting their marketing online, and harnessing those skills to the wider Wales brand. The Visit Wales portal should be extended to a full ‘design portal’ that can allow SMEs to sign up, agree to the values pledge mission statement and to data agreements on content use, providing more freedom to allow for them to manipulate templates add their own branding and tell their own story using their own user generated content (video, photos and so on) to allow for greater flexibility. Potentially it would also allow for data tracking and management to gauge success. The level of oversight should be kept addressing inappropriate use, with sign-up pledge providing ‘soft’ nudges against this and the balance shifting to SMEs having more control where possible.

More SME ownership of the brand could make for:

- Better dissemination of the brand.
- Better segmented marketing – either by sector due to SMEs own offers, or by location in providing localised flavour to Welsh branding.
- Better advocacy of the values the brand promotes.

¹⁵ Digital Tourism Think Tank, ‘Think Digital Repositioning-the-destination-digital-first-visit-wales-site-redesign: Interview with Jon Munro, Digital Director and Strategist at Visit Wales (November 2019); available at: <https://www.thinkdigital.travel/opinion/repositioning-the-destination-digital-first-visit-wales-site-redesign/>

Recommendations

- Branding and content management should be on a decentralised model to ensure content and marketing can be sourced from a more dispersed pool of images and stories.
- A Digital hub for user generated content should be extended for SMEs to create their own materials for their own marketing under the Wales brand.
- This content would then be monitored and measured for new areas of successful marketing through decentralised approach looking to use SMEs own experience and expertise in their own markets to help Visit Wales's general approach.
- Access by SMEs to the digital hub to build its own marketing would be dependent on signing up to the pledge and code of conduct, on disseminating any visitor pledge and Users should agree on data monitoring by Visit Wales and Welsh Government to track successful campaigns.
- Free translation should be explored as an option throughout this process.

4. DEVELOPING TOURISM

Tourism and hospitality businesses form a key but often underappreciated area for developing skills – it is often people’s first public-facing job, and there are areas of potential to develop on skills, from specialisms to marketing and green skills. Such areas to develop would also build capacity in the industry and make for a stronger industry as a whole. The Fair Work Commission noted the tourism industry as being one of sectors affected by low pay and conditions, and seasonal work. The approach we outline above provides opportunities to leverage the skills system to support the growth in SME capacity and in marketing and digital in SMEs linked to tourism and hospitality.

This is linked to the problem of growth – in our survey ahead of the Welsh general election, those small businesses in the accommodation and food service sectors that had growth aspirations, with 28% hoping to grow much lower than all other sectors with 44% of businesses looking to grow their business. A rising tide lifts all boats.

A key issue here is seasonality. We have discussed some of the ways marketing and management sit together in influencing visitor behaviour, but they can also be used to influence when and where tourists should visit.

“We’ve always said we need to market Wales for the less busy periods. We need to show empty beaches and snowy mountains on this footage because a lot of people really like to come at that time of year, and they’d much rather do that than come when it’s absolutely heaving with traffic. It suits all the locals and the tourism business better.”

Nature Attraction, North West Wales

The importance of thematic hooks and days outside of season was emphasised too, with one participant raising the example of St Dwynwen Day as Welsh patron saint of love on January 25th as a good example used in the past by Visit Wales.

While technological development has helped drive some of the challenges recently, it is also the case that it is part of the solution too. In terms of overcrowding, digital solutions through travel apps – such as ones used in Yellowstone national park, are used to avoid bottlenecks, and spread visitors out across different entrances through the park. It also provides for ticketing and scheduling and for real-time information on busy periods and providing alternative beauty spots or activities.

This can also be a means to provide tips on safety and behaviour and promote wider messaging. But potentially, and with enough data on preferences, it is likely that digital solutions through mobile, Virtual Reality (VR), and Augmented Reality (AR), can provide gateways to experiences based on visitors’ personal preferences, moving away from analogue to digital, and so providing a more curated experience. As a focus group participant suggests:

“When I was arriving back in Cardiff Airport there was this big A1 poster as you come into the arrival’s hall. But for me, digital adds to that as the one gateway into our country... Digital has a huge part to play in that. Rather than something analogue and – It’s not going to swap to a North Wales poster and then West Wales poster – (the gateway) can change and be dynamic depending on individual needs and toward different places to those that are very popular. So, it’d be really good to get some of the other ones recognised in those places as well. So digital gateways and pathfinding is a huge thing for me.”

Technology firm, South Wales

Technology is vitally important and provides enormous potential. It also requires coordination and infrastructure in place to support the system the visitor uses. As with other solutions raised in this report, they are mutually reinforcing, and technology is dependent on wider work to realise this potential. The Welsh Government's Digital First branding strategy and Centre for Excellence is a good start but requires wider pillars of support across other policy areas to develop and harness data and technology for use toward better management of tourism.

- Welsh Government should explore use of a Visit Wales App, exploring its use as a digital gateway and in providing seamless links to visitor behaviour nudges and safety tips, real time data on visitor peak times and alternative areas to visit, and management and push to promote different access roads to areas, as well as links to transport information.
- This should look to how we can use information gathered through a wider approach on marketing and using (for example) SMEs and individual towns own use of the system to maximise the local curation of the visitor experience.

The problem was noted as being one that was dependent on wider issues around activity in the area:

“You try going to the Llyn Peninsula in November or January or February and nothing’s open. The only thing open is the village shop...It’s a chicken and egg situation. The attractions can’t stay open because there’s not enough people to fill them. But we can’t get people to fill them because there’s nothing to do.”

Accommodation provider, North Wales

So, while all recognise the need to both disperse tourists throughout the year – and for marketing to work to manage tourism in this way it also requires a drive to prime businesses in those areas to be ready for tourists at those points, and confident that they will be able to trade. While this is a long-term project, we now look at how this may work in practice in terms of marketing and management through a new bank holiday on the weekend around March 1st St David’s Day.

St David’s Day

One way we can look at how this might work in practice is to focus on a day that works well for marketing Wales – St David’s Day – and how this may be used in this way.

In 2022 the Queen’s Platinum Jubilee introduced a new bank holiday for this year. PwC research suggests that the economic hit of a new holiday would be significantly smaller than previous estimates and estimated the cost to the UK be closer to £831 million – around £500 million short of Government forecasts. It was suggested that this could be even lower if the new bank holiday were scheduled for a Friday.

There is a growing debate on the possibility of a St David’s Day bank holiday in Wales, but this is a debate which has yet to engage the business community. It should be recognised that any new holiday, while typically receiving popular support among individuals, does represent a real economic challenge for some businesses and this must not be underestimated, and impacts need to be analysed.

However, we recognise that the proposal for a holiday has cross-party support in the Senedd and so is a realistic possibility – but it could also potentially be done with a view to build the tourism sector and prime businesses early.

The 1st of March could be a means to kick-start the visiting season and to look to build a longer season. A marketing campaign could look to say ‘Visit Wales from 1st March!’ to make clear that this would be an enjoyable time to visit.

As our focus group says, we are often bombarded by pictures that show how popular spots are – so full beaches in summer, crowds in sites and so on. There could be segmented messaging such ‘ssssh...It’s still quiet... Visit Wales this Spring.’

This would need significant forward-planning and engagement to bring businesses on board to help push – and shape – the materials. It would also need buy in for businesses to take the risk to be ready to operate from that date. The St David's Day Bank Holiday as an option that could potentially pump-prime demand within Wales while giving businesses a base market for operating.

This would have the advantage of building a campaign for the rest of the year on ethical tourism behaviour and placing Wales as an ethical tourist destination.

There are undoubtedly significant challenges in any proposal for a new holiday which need to be recognised in the debate surrounding it. However, the absence of economic benefit analysis has not been helpful to-date. It is a proposal which needs as much 'head' as it does 'heart.'

Recommendations:

- There is a growing debate for a St. David's Day Bank Holiday which has cross-party support in Wales.
- There needs to be an analysis of the economic benefits and impact of any potential bank holiday.
- This would need to align with a wider longer-term development toward a year-around industry and skills development, and prime businesses for activity.
- Marketing for any proposed holiday should promote St David's Day as a quieter time to visit.

CONCLUSION: GELERT, A 21ST CENTURY MODEL

On a dark night in 1802 in the darkest heart of Snowdonia two men were carrying a large stone. In fact, they decided it was too heavy and found a smaller one that would serve their purpose.

The leader had a plan. The tenant manager of the Beddgelert Hotel (now Royal Goat Hotel) in the small village Beddgelert had spotted an opportunity in modern development nearby. Seven miles away workers were employed on a huge infrastructure project to dam the sea, in a race to provide the port link to the eventual London train line that would then be used to make the crucial link from mainland Britain to Ireland.

The Romantics had changed perception of the mountain peaks of Snowdonia from deeply inhospitable to authentic, beautiful wild spaces away from the increasingly mechanised and urban world of humanity.

This was a new market to attract for the long term, with the project to build the eventual town Porthmadog ending in 1811. While unfulfilled, it was forward thinking, because it was built with the prospect of a link between Wales and Ireland, providing for a long-term visitor base.

To this, the enterprising hotelier added his coup de grace – storytelling. The stone they carried would serve as the grave of the story of brave dog, Gelert, cut down in his prime by his master the Welsh Prince Llewelyn, who mistook the blood on Gelert's jaws as his baby son, rather than that of the wolf corpse in the corner of his hunting lodge. The brave dog had saved the baby from the aggressor but was struck down by the impetuous Prince.

The hotelier would pay an itinerant poet to write the story of Gelert for the marketing of the area – all this placed around the branded village name 'Beddgelert', which means 'Gelert's Grave'.

It still works as a honeypot to tourism in middle of Snowdonia – albeit also with some difficulties in local housing experienced by many other areas.

As one member of our focus group noted "Beddgelert is just the thing, isn't it? Because it's a myth made to bring people in."

But the production of Gelert's story provides lessons here for successful tourism and hospitality entrepreneurship, taking advantage of changing market conditions and consumer needs, taking advantage of the place's natural advantages, aligning to modernity, technology and changing scales and geographies, learning from other global examples and stories, and making local stories our own to project to the world.

Such stories are integral to our understanding of ourselves, but also how we present ourselves to others. Moreover, providing the strategy and platform for SMEs to take part in shaping those stories for themselves can provide new ways for local businesses to develop themselves, employees, and the places in which they provide such a key role.

APPENDIX: METHODOLOGY

FSB Wales conducted a series of focus groups, looking to understand the qualitative responses to the current difficulties. The aim was to bring together a diverse group of businesses approaching the visitor economy from different angles, and from across different areas of Wales to provide a broad-based understanding of the opportunities and challenges that a tourism strategy needs to address, and concrete proposals for response.

FSB also conducted a focus group discussion with our Wales Policy unit of businesses, to have a wide base of understanding of the response from SME sector.

The report also uses a variety of FSB and wider independent survey data.

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