HIGHLANDS AND ISLANDS ENTERPRISE

A FRAMEWORK FOR DESTINATION DEVELOPMENT

AMBITIOUS FOR TOURISM CAITHNESS AND NORTH SUTHERLAND

Full Report – Volume I
(Findings and Recommendations)

(April 2011)

TOURISM RESOURCES COMPANY
Management Consultancy and Research Services

In Association with EKOS

2 LA BELLE PLACE, GLASGOW G3 7LH
Tel: 0141-353 1143 Fax: 0141-353 2560
Email: info@tourism-resources.co.uk
www.tourism-resources.co.uk

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Email: info@tourism-resources.co.uk
www.tourism-resources.co.uk

Ms Rachel Skene
Head of Tourism Caithness and North Sutherland
Highlands and Islands Enterprise
Tollemache House
THURSO
KW14 8AZ

18th April 2011

Dear Ms Skene

AMBITIOUS FOR TOURISM CAITHNESS AND NORTH SUTHERLAND

We have pleasure in presenting our final report into the opportunities for tourism in Caithness and North Sutherland. The report is presented in two volumes in response to our proposals (Ref: P1557) submitted to you in October 2010. Volume I includes the main findings, conclusions and recommendations with Volume II providing the research data and statistics gathered during the project.

We thank you for the opportunity of working with you and the many other participants.

Regards

Yours sincerely
(For and on behalf of Tourism Resources Company)

Tourism Resources Company

Sandy Steven
Director

Ref: AJS/IM/0828-FR1(Vol I)

Tourism Resources Company Ltd
Reg. Office: 2 La Belle Place, Glasgow G3 7LH
Registered in Scotland No. 132927

AMBITIOUS FOR TOURISM CAITHNESS AND NORTH SUTHERLAND

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(Front Cover Photograph Courtesy of David Bullough (TRC) – Dunnet Head Lighthouse

Executive Summary

i. Introduction

In late 2010 Tourism Resources Company (TRC) were contracted by Highlands and Islands Enterprise (HIE) to work with the tourism sector in Caithness and North Sutherland to help develop ideas to help it grow and succeed. Ambitious for Tourism Caithness and North Sutherland (ATCNS) is a development programme led by HIE and was the vehicle for this work. The Programme aims to support ambitious Caithness and North Sutherland businesses and enterprises to make more of resources to deliver a high quality visitor experience. HIE in partnership with other public agencies, industry organisations and communities across Caithness and North Sutherland (CNS) delivered Phase 1 of the Programme over the first three months of 2011. During this period the first two of the Programme's aims were delivered by collaborative involvement of a wide range of participants.

During Phase 1 public workshop events were held in: Helmsdale; Wick; Thurso and Tongue to explore aspects of the tourism experience and offering across CNS. The outcomes of Phase 1 have been essential in determining the way forward, and have informed the recommendations made in this report to support growth opportunities. Inter agency and inter community debate and discussion have been integral to the process to ensure that strategic tourism development in CNS is borne out of the ambitions of businesses and communities.

This document presents the findings of Phase 1 and a way forward, beyond Phase 1, based on the research findings and recommendations of TRC, commissioned by HIE to:

- Facilitate the Phase 1 programme of development sessions across CNS;
- Appraise the current tourism offering in CNS;
- Generate an economic baseline of tourism in CNS; and
- Create a Framework for Tourism Growth in CNS.

The recommendations of this study are set out as a Framework for Tourism Growth presented in Volume I of this report. A sizeable quantity of information, both primary and secondary research underpins the Framework and is presented in the second of the two volumes that make up the full report.

The collaboration and contribution of the public and private sector throughout Phase 1 is testament to the appetite for further joint working. It is intended that the way forward will be determined collectively by public, private and community stakeholders, considering the recommendations and opportunities presented within this Framework for Tourism Growth.

ii. Audit of Destination

As part of TRC's involvement a detailed audit of the main tourism facilities and services was completed across the whole study area. The data is presented with a geographic focus to reflect the different 'on the ground' visitor experience offered by the various settlement foci across the wider area. The data sets included in the main report have used the following spatial dimensions / geography:

Helmsdale / Latheron;	John O'Groats / Wick;
Thurso Focus;	Tongue / Bettyhill / Melvich.

The main report, in its Volume II, provides a detailed breakdown of accommodation, attractions, activities and other visitor infrastructure available. The main findings include a count and catalogue of accommodation; visitor attractions, sports venues; activities and key landscape features. (This has also been provided under separate cover in electronic format).

iii. Market Conditions

At its most basic the market for the CNS area currently consists of overnight tourists and day visitors. Overnight tourism demand driven by two main sectors: Non-Discretionary Business Tourism; and the Leisure Tourism / Visiting Friends and Relatives (VFR) sector. The actual mix and scale of demand fluctuating across the geography of the area. The main settlements of Wick and Thurso record higher levels of business tourism year-round – predominantly in the midweek period – with leisure tourism in the key summer months / weekends. In other parts of the study area demand is primarily from leisure tourists visiting the area mainly in the peak summer season and in contrast to other parts of the Highlands only modest levels of demand in early spring and later autumn months.

The overnight sectors are added to by the day visitor market (Scottish residents) which unlike other parts of Scotland is limited in CNS in terms of the numbers entering the geography of the area as it is distant from any major centres of population / generating sources / conurbations. This challenge of remoteness and peripherality is one that the sector needs to combat as it curtails demand from certain markets. However, tourists passing through the area en route elsewhere, or entering from neighbouring areas for a day trip whilst on holidays, are evident (Orkney-bound traffic is particularly in evidence).

Official statistics of current overnight demand levels, and profile, at the 'local' level are not readily available however TRC conducted extensive research for this study to provide a demand / economic baseline of tourism activity in the area – this information is presented in the main report.

Statistics surrounding day visit levels are not available as this data is not officially gathered by any agency. However it is understood that VisitScotland are embarking on a Day Visitor Survey across Scotland in the coming year.

Like many destinations the area is seeing its markets changing and evolving. This calls for the destination product to evolve in tandem. This is an issue in CNS where it is evident in the accommodation sector, for example where there is a shortfall in certain products and quality of offering eg self-catering / smaller scale resort facilities / those with supporting leisure facilities, etc (see recommendations).

Future target markets and the changing needs of existing sectors are discussed more fully in the report. These have influenced the development recommendations included in the study. These recommendations will ultimately help evolve and inform a Destination Development Plan that is needed going forward – see recommendations.

iv. Destination Key Strengths and Weaknesses

The consultancy review and the feedback received from the audiences at each of the workshop events in Phase 1 suggest that the following factors are the main strengths and weaknesses of the Destination.

Strengths of the Current Destination Experience

- John O'Groats Icon
- Orkney Visitors
- Remote / Quiet / Tranquil / Mysterious / Wilderness / Seclusion
- Located within 'Highlands' – A Recognised Destination
- Land & Seascapes / Coast
- Caithness Stone
- Royal Connections
- Surfing / O'Neil
- Fishing
- Game Sports
- 3rd Sector Active in Area
- Diversity of Wildlife
- Geology / Geopark
- History (Clearances & Norse)
- Archaeology
- Sailing
- Dunnet Head / RSPB
- Telford
- Single Track Roads
- Food & Drink
- Renewables
- Astronomy / Dark Skies
- Culture / Music

Product / Destination Shortfalls – Weaknesses and Issues Curtailing Growth

- Lack of Clear Identity / Consumer Perceptions Vague
- Remoteness / Accessibility
- Seasonality / Sustainability
- Self-imposed Short Season
- Tourism Information Provision
- Marketing & Promotion (Budgets & Messages)
- Competition (External & Internal)
- Quality of Destination Images (Picture Library Available)
- Transport (Cost, Time, Integration, Availability)
- Parochialism / Distrust / In-Fighting / Lack of 'One Voice'
- John O'Groats (Quality & Existing Perceptions
- Skills Shortages / Availability of Training Locally
- Retail Availability / Self Imposed Closure Times, etc
- Small Scale Events / Viability and Ability to Maintain Provision
- Links, Communications, Structure to Deliver a Cohesive Competent Destination are Lacking – No Forum of Focus for Sector)
- Cohesion & Collaboration between Public & Private Sector
- Lack of Ability to Identify / Understand Business Opportunities Within Much of the Sector
- Difficult to Attract Inward Investment
- All Talk, No Action / Disillusion – Repeated Attempts at Delivering Change in Sector have Produced Few Wins
- Better Focus on 'Key' Markets & their Needs (Lack of Agreement on Markets)
- Lack of Ambition in certain Sectors of the Supply Market
- Support Services re Business Tourism – Infrastructure & Services to Support Discretionary Business, etc
- Technological Changes - Connectivity

v. Factors Affecting Future Growth

The main factors affecting any destination's growth is its ability to deliver what the market wants at a price it is willing to pay. This calls for CNS to consider emerging trends in products and markets as well as evolving competitor destinations. CNS must then ensure its own offering is balanced / gaps filled to dovetail with the markets needs and wants.

Discussions have been held about the target markets of those currently active in the sector across CNS. TRC also brought specialist knowledge and experience to the study to help identify future markets for CNS. (Identification of targets and needs, when married to the current destination experiences and supply situation, highlights where the strategic market and product development needs / growth opportunities lie).

vi. Future Market Opportunities

The full report includes further discussion on what are anticipated to be the market sectors that offer CNS opportunities in the future. These are anticipated to fluctuate in terms of scale and strength of opportunity across the different settlements / communities of the wider area, reflecting their current offering, visitor type and experiences available.

Detailed discussion surrounding markets will ultimately form the focus of later work recommended by this report ie production of marketing and promotional strategies.

Future market opportunities fall into a number of different categories, many already evidenced in the area. Markets that offer opportunities in the future are similar to present at the broadest generic levels:

- tourists (those staying overnight); and
- day visitors to the area.

The main drivers in the future to the wider area will be Leisure Tourism and Non-Discretionary Business Tourism with some Discretionary Business sectors.

The following sources are anticipated in the future.

DOMESTIC TOURISTS *(see VisitScotland Segmentation Analysis)*

Leisure Tourists

In the main it is anticipated domestic leisure tourism will come from Scotland as well as English regions mirroring the markets targeted by VisitScotland:

English Domestic
- Affluent Southern Explorers;
- Younger Domestic Explorers;
- Mature Devotees;
- Affluent Active Devotees.

Scotland
- Short Breaks and main holidays from various Scottish location;
- Short Breaks from within the Highlands region also an important source.

Business Tourists

- Non-Discretionary (Public Agencies, NHS, Dounreay generated in the main with the wider commercial sectors also in evidence);
- Limited discretionary demand (team building / training and conference related).

OVERSEAS INTERNATIONAL TOURISTS

Leisure Tourists

- Traditional[1] International Markets:
- New[2] International Markets (to a lesser extent):

Business Tourists

- Non-Discretionary Dounreay / Renewables and Extraction industries-related in the main);
- Limited discretionary demand. (If in future the area evolves as a significant base for Renewables and evolves a Centre of Excellence then there is potential for markets to be attracted to use the area as a base for learning re conferences, training etc).

OTHER SECTORS OF DEMAND

Day Visitors

This sector does not utilise the accommodation stock, it is made up of demand from:

- Scottish Residents mainly from other parts of the Highlands and from within the area itself;
- Overnight Tourists Resident Elsewhere Outside the Area making day visit excursions into or through the Area (see segmentation profile above re this sector);

Holiday Home Sectors

Semi-Resident Markets.

vii. Issues to Tackle / Unlocking the Potential

The ‘destination experience’ within the CNS area needs to aim at better satisfying existing markets (exceeding expectations) and attracting new markets in future by providing what they want in the form of both attractors and support services and infrastructure.

[1] Tourists from traditional / mature generating countries for Scotland ie US, Western Europe etc.
[2] Emerging markets – Eastern Europe, Far East / Asia to a much lesser extent in the immediate future though the End to Enders are evident in this sector.

The aim of this study is to identify the next steps to ensuring that this strategic 'product engineering' takes place to support the positioning of the destination and ensure its offering is aligned with opportunities. The detail of how that is achieved, needs to be fully discussed and a consensus reached (see recommendations).

The findings of this Phase 1 work provides guidance to all those interested in unlocking the market opportunities available to the destination. The main recommendations included in the report are to bring the sector to the point where it can make the right decisions about its future development to stimulate economic growth. Recommendations are geared at helping the destination move towards being a 'competent destination' ie one that fully meets the needs of its markets and is structured in a way that it can achieve and sustain a viable tourism sector by being dynamic and alive to the needs of the consumer.

A more successful tourism sector in CNS would be one that:

- Increased the Volume and Value of Tourism;
- Created Employment;
- Ensured Sustainability of the Sector;
- Engaged and Empower Business and Resident Communities;
- Facilitated by:
  - Building on Market Opportunities;
  - Extending Season;
  - Extending Spending Opportunities.

The ATCNS programme to date has helped identify, at a high level, the different forms of intervention that can be given to help CNS's tourism sector grow. These all fall under what can be called 'Destination Management Issues'. This is where a wider, more cohesive destination approach can help drive real step transformational change within a sector where there is currently real industry dissatisfaction with the existing position. The recommendations evolving from Phase 1 are presented as a Framework for Tourism Growth.

viii. A Framework for Growth

The Framework for Tourism Growth is built around two key aspects: Structure and Plans. The focus of the recommendations are:

FRAMEWORK FOR TOURISM GROWTH

STRUCTURE

- **Form Leadership Group and Confirm Structure of Destination Management and Development Model.**
- **Form Local Tourism Development Groups (to be part of Destination Model).**

STRATEGIC PLANS

- **Creation of a Caithness and North Sutherland Destination Development Plan with four main components:**
  - Product and Services Development;
  - Business and Skills development;
  - Communications and Marketing; and
  - Market Intelligence / Monitoring and Evaluation / Ongoing Planning.
- **[Destination Plan informing and being informed by four Local Tourism Development Plans].**

ix. Action Plans

It is clear that if progress is to be made, a less fragmented and haphazard approach to the destination's future needs to be taken. The first key step is the need for a leadership model and structure for the sector to be agreed. Once this has been achieved an overarching Destination Development Plan also needs to evolve. The Plan must have clearly defined targets, actions, timelines and the spatial dimensions reflecting local needs and opportunities. Roles and responsibilities for delivery also need to be highlighted and potential resources identified to facilitate delivery. Clear plans will provide a road map for the future of the sector. The Destination Development Plan will be the rallying point around which all can assemble and ensure that the public, private and 3^{rd} sectors are all moving in the same direction and that pooled resources and activity will provide greater impact than the sum of the parts. In tandem Local Plans for each of the four settlement foci / zones of the CNS area also need to be created as a priority, to be informed by and informing the Destination Plan.

Moving the destination forward and setting targets for specific activities included in the Plan, by necessity, will involve prioritisation to meet the real world of time and resource availability. At present there is no leadership body in place so discussion of specific development projects and delivery milestones is somewhat premature. It is envisaged that at this time, until a structure, leadership vehicle and Destination Development Plan and Local Tourism Plans are in place that HIE will continue to champion and lead in ensuring that the preliminary work involved in creating structure and plans is implemented.

The framework tables provided overleaf are presented as a recommended Action Plan for the CNS Destination. In addition a table of activities has been created that outlines the parallel actions that need to be undertaken at the local levels in creating the four Local Tourism Development Plans for each of the community foci / sub-destinations.

CAITHNESS AND NORTH SUTHERLAND DESTINATION ACTION PLAN – (STRUCTURE AND MANAGEMENT)			
AIM / KEY RECOMMENDATION	**KEY ACTIONS**	**TIMEFRAME**	**LEAD / DELIVERY PARTNERS**
FORMATION OF A LEADERSHIP GROUP AND ORGANISATIONAL STRUCTURE FOR THE CNS TOURISM SECTOR.	Confirm Destination management structure going forward highlighting strategic roles and responsibilities is crucial. See relationship between Leadership and Local Tourism Development Groups. Invite to a facilitated workshop summit representatives from across the whole tourism sector / all those with a vested interest (public and private bodies) to discuss and evolve a model for a Destination Development / Management Organisation body to take forward the tourism sector in CNS (or the 'destination geography' as agreed).	Complete Immediately (ASAP).	HIE / Representatives of those participating in Phase 1 and others.
CREATION OF CONSOLIDATED 'DESTINATION DEVELOPMENT PLAN' FOR TOURISM IN CNS.	The CNS Destination Development Plan to incorporate separate Plans for: Product and Services Development; Business and Skills Development; Communications; and Monitoring and Evaluation. In each case highlighting timeframes, roles and responsibilities for delivery across all aspects of Destination Management. (See parallel Local Plans). Detailed product development proposals will be highlighted and plan would encapsulate recommendations for new accommodation models, attractions and physical facilities as deemed appropriate. Ensure link to evolving update to the National Tourism Framework for Change and Highland Area Tourism Plan. CNS Tourism Leadership Group to work with others and the various communities / Local Tourism Development Groups to create a detailed, consolidated Destination Development Plan covering all aspects. Plan informed by, and informing, Local Tourism Development Plans. (This process will involve a degree of managing aspirations and local ambitions into a sustainable area-wide Plan – Plan to build on the findings of Phase 1 work of the ATCNS programme).	Complete Medium Term (Oct 2011-Early 2012) .	CNS Tourism Leadership Group / Local Tourism Development Groups.

<table>
<tr><th colspan="3">CAITHNESS AND NORTH SUTHERLAND DESTINATION ACTION PLAN –
(PRODUCT AND SERVICES DEVELOPMENT)</th></tr>
<tr><td><u>KEY RECOMMENDATION</u>
CREATE A PRODUCT AND SERVICES DEVELOPMENT PLAN

Create a Plan that highlights physical development opportunities / needs across the geography of CNS for inclusion within consolidated Destination Development Plan.
Build on the community consultation work of Phase 1 and marry future market opportunities to destination offering to ensure each locale / settlement focus evolves physical product / services that will help it retain and build new market share.
The Plan should evolve under a spatial dimension and needs to appraise and prioritise development options. (Will inform and be informed by Local Tourism Plans – see later).</td><td><u>TIMEFRAME</u>

Complete Medium Term
(Oct 2011-Early 2012)</td><td><u>LEAD / DELIVERY PARTNERS</u> -

CNS Tourism Leadership Group / Local Tourism Development Groups.</td></tr>
<tr><td colspan="3"><u>KEY ACTIONS</u>

Action – Identify opportunities and plans for new accommodation, enhanced attractions and activities etc.
Action – Create an integrated Calendar of Events (enhancing existing portfolio with, where appropriate, new events) – Consider development of new events particularly out of the main season. Use events as a key component of the marketing and promotional strategy to help raise awareness and confirm identify / position. At the same time events used as a vehicle to extend the season and create appeal and new demand. See links between events and the creation of new and proposed new venues; and Destination Communications and Marketing Strategy.
Action – Lobby for progress in improvements to ‘access’. See transport issues. In the first instance look for early wins re ‘integration’ and frequency of timetables (eg air connections) etc, progressing through to the ‘bigger’ issues re transport costs and wider access, etc.
Action – Build on local ‘food opportunities’ and provenance. Build on growing appeal of, and national focus, on Food Tourism – see links with marketing strategy and plan and sectoral initiatives, locally, Regionally and across Scotland.
Action – Ensure basic visitor infrastructure services are in line with expectations. For example toilets are a basic start but one where there is considerable degree of dissatisfaction within the tourism / wider community – see also visitor services information provision. (See inclusion of visitor information centres / points in future marketing and promotional strategy). Identify roles for sustainable community involvement in provision of such services.</td></tr>
</table>

<table>
<tr><th colspan="3">CAITHNESS AND NORTH SUTHERLAND DESTINATION ACTION PLAN –
(BUSINESS AND SKILLS DEVELOPMENT)</th></tr>
<tr><td><u>KEY RECOMMENDATION</u>
CREATE A CONSOLIDATED BUSINESS AND SKILLS DEVELOPMENT PLAN FOR INCLUSION IN DESTINATION PLAN.

A comprehensive plan for improving skills across the sector – at vocational, management and leadership levels. Revisit any existing strategy / plan and assess in detail current market needs and prepare solutions. (Update on a regular basis). Individual plans for vocational, leadership and management skills as below. Each community to also assess its own needs and plan.</td><td><u>TIMEFRAME</u>
Complete Medium Term (Oct 2011-Early 2012). Update on ongoing basis to reflect changing nature of workforce.</td><td><u>LEAD / DELIVERY PARTNERS</u>

CNS Tourism Leadership Group / Local Tourism Development Groups.</td></tr>
<tr><td colspan="3"><u>KEY ACTIONS</u>

Action – Create a Vocation Skills Plan (as a key component of above). Revisit existing programmes / plans and update in light of new focus and resources re ATCNS. Service skills, customer care and other vocational skills elements.
Action – Create a Leadership Skills Action Plan. Put Plan in place for dealing with issues surrounding leadership at business, community and sector level. (Programme of events, learning journeys, courses, etc – see new ways of planning and delivery of same eg St Andrews Skills Academy).
Action – Create a Plan for Business and Management Skills. Drive improvements in business best practice – individual business and wider sector monitoring; financial management; understanding investment appraisal; how to unlock opportunities, etc – See links to monitoring and evaluation framework recommendations.</td></tr>
</table>

CAITHNESS AND NORTH SUTHERLAND DESTINATION ACTION PLAN – (COMMUNICATIONS / MARKETING AND PROMOTION)		
KEY RECOMMENDATION **CREATE A DESTINATION 'CONSUMER' MARKETING AND COMMUNICATIONS STRATEGY** A consumer facing communications strategy. See identification of: target markets; marketing tools to be employed; roles responsibilities to implement same. Identification of resources and finance to be included in any plan. (Wider Visitor Information Services also to be included).	**TIMEFRAME** Complete Medium Term (Oct 2011-Early 2012)	**LEAD / DELIVERY PARTNERS** CNS Tourism Leadership Group / Local Tourism Development Groups.
KEY ACTIONS **Action –** Create and execute a programme of consumer research. Conduct external, primary market research to establish market awareness and views of the destination. Also confirm what the market sees as the geography of the destination. Feed into creation of destination 'identity' and communication / marketing messages to confirm same and raise awareness – see Marketing Strategy. **Action –** As part of the wider Destination Plan, create a Communications Strategy for the CNS tourism sector. Develop internal channels of communication across the sector ensuring dissemination of market intelligence / early wins etc and keeping passion, involvement and interest alive. (Networking, events, written communications, publications, etc including disseminating market intelligence). **Action –** Packaging and Virtual Product Development. Explore and confirm 'new' ways of packaging area's existing assets as new products for the marketplace – See Events; Archaeology; Culture / Arts; Design / Applied Arts / Crafts / Study and Life Long Learning – packaged as 'products' for sale to attract new markets. Where appropriate within Communication and Marketing Strategy make use of Internet, Apps, etc.		

CAITHNESS AND NORTH SUTHERLAND DESTINATION ACTION PLAN – (MONITORING, EVALUATION AND ONGOING PLANNING)		
KEY RECOMMENDATION **GATHER MARKET INTELLIGENCE / MONITOR IMPACT AND EVALUATE PERFORMANCE (MEASUREMENT AND REPORTING STRATEGY).**	**TIMEFRAME** Complete Medium Term (Oct 2011-Early 2012)	**LEAD / DELIVERY PARTNERS** CNS Tourism Leadership Group / Local Tourism Development Groups.
KEY ACTIONS **Action –** Create a 'framework' to monitor change and impacts in the tourism sector. Put in place local and area-wide intelligence gathering models to collate trading and performance data across various products. Regularly track performance and impacts: eg tracking visitor numbers and profiles at attractions – sources of demand; in accommodation operations track room and bed occupancy levels and sources of demand re business / leisure tourism amongst other methods. **Action –** Feed back and disseminate findings on general performances measured to others across CNS re benchmarking their own operations and to help inform business and investment decisions / attract inward investment. Calculation of economic impacts achieved against economic baseline included in this report also collated and communicated back to the sector helping confirm what interventions are proving successful and demonstrating wins.		

CAITHNESS AND NORTH SUTHERLAND DESTINATION LOCAL ACTION PLANS*			
KEY RECOMMENDATION	**KEY ACTIONS**	**TIMEFRAME**	**LEAD / DELIVERY PARTNERS**
Each of the Four Community Foci to Form a Local Tourism Development Group. (Formation of Four Groups).	In line with structure models agreed for the CNS-wide tourism sector form four Local Tourism Development Groups to provide focus and oversee local level planning and activity in the tourism sector. Representation from the four Local Development Groups to sit on the CNS Leadership Group.	Complete Immediately	HIE / Leadership Group / Local Participants of Phase 1 and Others Locally.
Create Four Local Tourism Development Plans.	Each Local Group to draw up its own Local Tourism Development Plan for its area using same 'themes' as the CNS Destination Development Plan. The Groups to prepare a plan highlighting their aspirations and ambitions for their own tourism economy in light of the market opportunities available. If considered appropriate the Local Tourism Development Group can employ HIE / Scottish Enterprise's Tourism Destination Development Guide due out in Summer 2011 to ensure all aspects of destination development and management are covered by the Plan. Plan to reflect: Product and Services Development; Skills; Communications; and the important Monitoring and Evaluation needs at a local level. Plan to be informed by evolving CNS Destination priorities and Plan in turn inform same Destination Plan. Proposals for all aspects to evolve: retail; food and beverage; accommodation; attractions; activities and packaging. [The CNS Tourism Leadership Group will draw together all local plans and aspirations into a consolidated, prioritised area-wide Destination Development Plan for CNS. (In the final analysis there may be need for a certain rationalisation and prioritisation of local ambitions and plans to be undertaken to ensure a fit with the agreed CNS Destination Development Plan and priorities)].	Complete Medium Term (Oct 2011-Early 2012)	Local Tourism Development Groups.

*** ACTIONS THAT NEED TO BE UNDERTAKEN BY EACH OF THE LOCAL TOURISM DEVELOPMENT GROUPS IN PREPARING THEIR OWN LOCAL TOURISM PLANS. FOUR GROUPS / FOUR PLANS TO EVOLVE.**

x. Current Economic Impact of Tourism in the Area (A Baseline)

Work conducted in Phase 1 provides a baseline of economic activity generated by those staying overnight CNS – overnight tourism (day trips are not included in this analysis). Greater detail and the basis of calculation are included in the body of the report. In summary the tourism sector generates the following impacts for CNS.

Commercial Expenditure

The following overnight tourist expenditure is estimated by those staying in the commercial sector.

TOTAL TOURIST EXPENDITURE IN COMMERCIAL OPERATIONS IN CNS	
Type	**Expenditure**
Leisure	£18,268,155
Business	£9,206,158
Total	**£27,474,314**

VFR Expenditure

Expenditure by those staying with friends and relatives is presented below.

VFR EXPENDITURE	
VFR Bed Nights	207,770
Average Daily Expenditure	£37.37
VFR Expenditure	£7,763,879

The total direct expenditure from the overnight tourism sector in CNS is calculated as £35.2 million. This accounts for 6.2% of all overnight tourism expenditure in the Highlands.

TOTAL EXPENDITURE	
Type	**Expenditure**
Leisure	£18,268,155
Business	£9,206,158
VFR	£7,763,879
Total	**£35,238,192**

xi. Summary Conclusion

The findings of the study have influenced the outcomes and recommendations contained in the main report. The full report of which there are two volumes also includes a comprehensive audit of the existing destination offer in terms of product and services.

The ATCNS Phase 1 work identified a range of issues that need to be addressed if the area's tourism economy is to grow. A Framework for Destination Development has been prepared and provides actions designed to foster growth and lead to positive change. These activities have been built around the findings of the extensive programme of research and consultations. These consultations identified that many 'ambitions' for the tourism sector in CNS exist, but Destination Management now needs to be addressed if growth is to be achieved and this will involve creating structure in the sector and strategic plans for its future.

The consolidated development framework ie Action Plan for the future is presented and highlights activities. However, in these times of constrained finances implementing any plans will take time and commitment and change cannot be expected overnight. Financial issues will affect the ability to deliver certain aspirations, specifically projects requiring capital investment in new products.

Resourcing of change will be challenging, however the study area has the benefit of access to funding sources to which other parts of the Highlands do not. It is therefore important that a viable and sustainable Destination Development Plan is identified and key projects adopted and approved early on so that funding can be targeted – projects can then be driven forward to help achieve early wins, maintain momentum and start to produce growth.

1 INTRODUCTION AND BACKGROUND

Ambitious for Tourism Caithness and North Sutherland development programme led by Highlands and Islands Enterprise (HIE) aims to support ambitious Caithness and North Sutherland businesses and enterprises to make more of resources and assets to deliver a high quality visitor experience.

HIE in partnership with other public agencies, industry organisations and communities across Caithness and North Sutherland (CNS) has, over January to March 2011, delivered Phase 1 of 'Ambitious for Tourism Caithness and North Sutherland' (henceforth referred to as ATCNS) delivering aims 1 and 2 of the overarching ATCNS programme:

1. An appraisal of tourism growth potential / research to inform and support business decision-making;
2. A baseline audit of existing provision of product and services and their current economic impact against which to measure future growth;
3. A more cohesive tourism sector which engages at an operational and strategic level;
4. Added value to existing product with increased return for businesses;
5. A better understanding of the markets and those that offer opportunities, alongside how wider use of technology by businesses can enhance competitiveness; and
6. Increased product offering throughout the year.

Sustainable and collaborative development is at the heart of the ATCNS programme so over the period of Phase 1 events were held in: Helmsdale; Wick; Thurso and Tongue to explore aspects of the tourism experience and offering across CNS. The aims achieved within Phase 1 have been essential to determining the way forward, and to permit informed recommendations to be made to support growth opportunities. Inter-agency and inter-community debate and discussion have been integral to the Phase 1 process, designed by HIE to ensure that strategic tourism development in CNS is borne out of the ambitions of businesses and communities; reflecting the critical role of these 'agents of change' in achieving sustainable growth.

This document presents a way forward, beyond Phase 1, based on the research and recommendations of Tourism Resources Company (TRC), commissioned by HIE to:

- Facilitate the Phase 1 programme of development sessions across CNS;
- Appraise the current tourism offering in CNS;
- Generate an economic baseline of tourism in CNS; and
- Create a Framework for Tourism Growth in CNS.

The recommendations, set out as a Framework for Growth, are intended to guide the process of development; recognising and reflecting that there is work to be achieved to support the tourism sector in CNS moving forward from the initial discussions of Phase 1 to a more defined programme of collaborative development activity.

The Framework will therefore set out steps necessary to achieving tourism sector growth in CNS, highlighting the need for a phased approach to be taken with short and longer term objectives mapped out.

The Framework is based on the research undertaken by TRC, in collaboration with the public and private sector, throughout Phase 1. This research underpins the recommendations presented, further enhanced and shaped by TRC's expert understanding of tourism sector development across Scotland.

A sizeable quantity of information, both primary and secondary, has underpinned the Framework. A robust process involving desk based and 'on the ground' research was required to appraise the volume of existing data, intelligence and plans in order to align this to the current offering in the CNS area. It was essential to conduct a degree of consultation to attempt to fill gaps identified within the existing intelligence, relating to tourism in CNS.

The collaboration and contribution of the public and private sector throughout Phase 1 of ATCNS is testament to the appetite for further joint working; highlighting the willingness of the tourism and community sector to work as part of the 'bigger picture' whilst articulating the need and wish to ensure development activity is relevant to the locality in which the business, enterprise or community group is situated. The way forward will be determined collectively by public, private and community stakeholders, considering the recommendations and opportunities presented within the Framework for Growth set out by TRC.

2 THE CURRENT SITUATION – TOURISM SECTOR BACKDROP

2.1 Introduction

When looking forward to achieving a healthier and more dynamic future for tourism businesses and the tourism sector in the CNS region, it is essential to understand the starting point and opportunities for growth that are available. The current 'state' of the area's tourism sector ie its offering (supply) and the levels and types of visitors (demand) currently engaging with the area have been assessed by this study.

A clear understanding of the current position, when set alongside the markets that offer opportunities in the future helps identify the issues and gaps in provision / services etc that are curtailing growth. Clearer identification of market and product development opportunities also informs the scale and scope of change that needs to be achieved if economic growth and success is to be anticipated.

As has already been explained a range of research and workshops involving the local tourism sector and communities in the area were used to discuss and highlight issues as seen from the grassroots level as well as top down externally. The findings of these sessions have been overlaid with a strategic overview of what is happening elsewhere in Scotland, the UK and overseas in the tourism sector. The local issues and the wider national and international positions all influence the success of the destination and the path that must be tread in future if growth is to be achieved.

This section provides a brief overview of the current position within CNS – a degree of more detailed data is provided in the Appendices to this report.

2.2 Product and 'Visitor Experiences' Under Review

The approach to the evaluation and review of the visitor experience on offer across the study area involved both detailed desk-based research by the team and on-the-ground visits to view the destination and individual product offerings at firsthand.

The findings of the consultancy team were also informed by discussions with others active in the area’s tourism sector including operators of strategic attractions; accommodations; specialist retail; activities; and cultural attractions. This work carried out to help identify the scale and shape of any existing product ‘gaps’ curtailing success and highlighting opportunities for development going forward.

The aim of this ‘destination experience’ audit was to capture and plot where infrastructure servicing tourists was located, and when available, ie across spatial and timeframe dimensions. This involved gaining an understanding of ‘attractors’ ie activities, visitor attractions, etc pulling people to the destination and providing them with things to do, alongside other ‘services’ supporting their stay eg accommodation; food and beverage; retail; etc – in some cases these in themselves are also ‘attractors’.

The team have created a comprehensive database of existing consumer-facing tourism businesses, facilities and services – See Appendices in Volume II of this report for the full listings. This portfolio of visitor infrastructure has been plotted on maps to indicate the dispersal and concentrations of the offering. The audit has also sought to identify what facilities are available year-round and those that are only available to visitors during the main holiday seasons of summer and the shoulder months (spring and autumn).

The tabular lists of existing supply are attached in the Appendices in Volume II and discussed briefly below. (A full electronic version of the audit has been provided under separate cover).

The audit data is presented with a geographic focus to reflect the different ‘on the ground’ visitor experience offered by the differing settlement focus across the wider area. The data sets included in the report have utilised the following spatial dimensions:

- Helmsdale / Latheron;
- John O’Groats / Wick;
- Thurso Focus;
- Tongue / Bettyhill / Melvich.

The main facilities considered by the consultants as part of the overall destination review are clustered around the following ‘service’ or product headings.

Classification of Services and Facilities

- Food and Beverage;
- Speciality Retail;
- Cultural & Visitor Attractions (Formal and Informal);
- Events & Entertainment Venues (including Function / Conference Space);
- Other Built Recreational Facilities;
- Golf / Activities, etc;
- Adventure and Adrenaline Sports;
- Wildlife Watching;
- Accommodation Provision.

Due to the difficulties surrounding identifying the actual 'locational' focus of attractions and facilities like fishing and country sports these have been considered at a generic level. [Also considered by the audit are the trails / routes available for walking, cycling or car touring journeys].

Conclusions on products and services are discussed later. See Section 5 and 6.

2.3 Overview of Current Market Conditions

In the review of the current supply it can be seen that there is a fairly wide range of facilities and services across the area. Dependent upon the form these facilities take, many are, as would be expected, clustered around the main settlements and townships, and others dispersed across the countryside. The audit process tends to show the range of offering is reasonably extensive but there are certain discrepancies that a sophisticated tourism sector would expect - see Sections 3 and 4.

For this study, at this time, no attempt has been made to quantify or profile 'demand' for the various individual components of the visitor experience offered by the study area. Each type of facility / service is trading in different ways as are those with similarities within each settlement. (The exception here has been our research conducted amongst accommodation operators to identify scale and mix of demand for overnight bed spaces. This has been used as a measure to calculate the economic impact generated by the overnight tourism sector – see Section 7.

At its most basic the market for the study area currently consists of overnight tourists and day visitors. Overnight tourism demand to the area is driven by two main sectors (see later section on sectors offering opportunities). These are the non-discretionary Business Tourism sector and the Leisure Tourism / VFR (Visiting Friends and relatives) sectors. The actual mix and scale of demand fluctuating significantly across the geography of the area.

The main settlements / towns of Wick and Thurso record higher levels of business tourism year-round – predominantly in the midweek period – with leisure tourism in the key summer months / weekends. In other parts of the study area demand is primarily from leisure tourists visiting the area mainly in the peak summer season and in contrast to other parts of the Highlands only modest levels of demand in early spring and later autumn months.

The overnight sectors are added to by the day visitor market (Scottish residents) which unlike other parts of Scotland is limited in CNS in terms of the numbers entering the geography of the area as it is distant from any major centres of population / generating sources / conurbations. The challenge of remoteness and peripherality is one that the sector needs to combat as it curtails demand from certain sectors of the market. (Awareness and perceptions of destinations key factors affecting success and as such are issues that need to be addressed – see Framework recommendations re consumer research and marketing and promotional strategies). However, tourists passing through the area en route elsewhere, or entering from neighbouring areas for a day trip whilst on holidays, are evident. (The day visit market notoriously tends to travel, in the main, only around one-hour's drive-time from home to undertake a day visit. The local exception here is Orkney-bound traffic that passes through the area and stops off en route – see later discussion of market sectors offering opportunities in Section 3).

In the main leisure demand is reported as being seasonally influenced, peaking during the summer months with lower levels of demand in spring and autumn and much lower during the winter.

The area attracts a domestic Scottish market on short breaks and main holidays, including some young families and middle and older age profiles, independents and couples. The profile of the destination and key locations like John O'Groats and the Royal associations of Castle of Mey also help attract certain markets from England and overseas on main / second holidays.

The coach / group tour market is also in evidence, to an extent, in the area albeit not as much as elsewhere in the Highlands but this is considered to be a function of bed space supply and seasonality of support infrastructure – ie the area has only limited stock of hotels large enough to accommodate group tours. Coupled with this fact is the seasonal operation of certain attractions that limits the range of things to do. Also the 'outdoor' nature of a considerable part of the destination offering does not readily lend itself well to coach markets – extreme outdoor sports do not have a great following in this sector.

Official statistics and breakdown of current overnight demand levels and profile at the 'local' level is unfortunately not readily available however TRC have as part of this study conducted extensive research to help uncover the data and provide a demand / economic baseline of tourism activity in the area – See Section 7. Statistics surrounding day visit levels are not available as this data is not officially gathered by any agency. However TRC understand that VisitScotland are embarking on a Day Visitor Survey across Scotland in the coming year which will help fill these data gaps.

Like many destinations the area is seeing its markets and visitor demand changing and evolving. One of the issues now appears to be the widely held belief of both those operating in the sector and by the consultancy review that the area has failed to evolve its product / destination experience offering, in line with the changes currently taking place in the market and envisaged to take place over the medium / longer timeframe ie five to 10 years. This is evident in the accommodation sector in particular, where there is a shortfall in certain types of product and quality of offering eg self-catering / smaller scale resort facilities and those with supporting leisure facilities, etc.

Perception and awareness of the realities of the destination are also considered to be negatively impacting on success. Included within this is the fact the area is considered to lack a clear identity and profile – identified by participants in Phase 1 and the consultants. These issues need to be strategically addressed.

This study seeks to consider and address the issues affecting the destination by offering recommendations for change that will see the area unlock opportunities by better aligning its offering to the needs of the existing markets and their changing requirements. This tied with those changes required to meet the needs of new markets that the area wants to target to improve its tourism economy in the future. (The area must fight to maintain its current markets and its share of these markets. Other sectors are not in evidence or these are target sectors the area wants to attract in the future. If these are to be successfully attracted then certain aspects of product development need to take place alongside proactive targeted marketing and promotion – see later recommendations).

Future target markets and the changing needs of existing sectors are discussed later in Section 3 and influence the outcomes and development recommendations included in this study.

2.4 Audit of Supply – Overview of Existing Provision

2.4.1 Introduction

Profiled in the tables and maps overleaf is a strategic overview of the existing tourism support infrastructure of services and facilities that are considered to be tourist-facing across each of the four locales making up the study area.

The audit has been compiled using data available and identified from a range of sources by the consultants. An on-the-ground drive-through and visual survey was also conducted by our team, of the main sites and facilities, in order to fulfil the aims of the audit. This provided a 'strategic' overview of the destination offering and the position it holds in the Scottish tourism economy. See the photographic archive provided of the consultants field trips supplied under separate cover to HIE.

In addition to the facilities highlighted in the audit is the area's wealth of environmental assets, natural and built – a key component of the visitor experience. The urban public realm and countryside providing the backdrop to, and in certain instances, the very core of the visitor experience.

Included within the audit is also the all-important visitor accommodation element of the destination. Overnight accommodation in many cases an 'attractor' in its own right pulling people into the area just as much as it is a 'supporting' service to those who choose to enter the area to participate in a particular pastime / activity, etc. However accommodation as an attractor is more apparent in other parts of the Highlands eg Aviemore, or Ballater, and other locations across rural Perthshire and elsewhere where there are greater numbers of boutique or unusual 'destination' hotels / accommodation units that are high profile or differentiated eg major or niche resorts or destinations offering leisure add-ons. However there are a modest number of unusual boutique properties in the study area like Ackergill Tower which feature, as do others, that in themselves have a loyal following – they are few in number.

The activities / field sports and fishing sector is also reported as being of importance to those operating in the area's tourism economy. Discussions and consultation with operators in the area and those attending the roadshow events indicates this. The culture / archaeology and history of the area are also considered draws.

The accommodation sector is discussed briefly in this report but for more detail the reader's attention is drawn to a study conducted by TRC into the accommodation sector for HIE. (Changes are planned for this sector and the proposed developments at John O'Groats will go some way to filling particular gaps in the market).

2.4.2 Services / Product Overview – Visual Presentation of Data

The tables and maps overleaf present a summary profile of the facilities and services available in each part of the study area. (The serviced accommodation sector is presented separately from the non-serviced sector - see the maps on pages 12 and 13. A further map and table provides insight into the scale and distribution of visitor attractors).

The maps and tables prepared for the report have duplicate electronic versions that can be interrogated for more detail by those with electronic versions of the maps and MapPoint software. In each case for more information on the business operations in each locale the reader's attention is drawn to the more detailed audit listings in the Appendices in Volume II.

The audit of infrastructure and services both here and as detailed in the Appendices in Volume II, provides a detailed breakdown and backdrop to the visitor offering in each of the four settlement foci in the study area. A brief overview of the market demand in each was provided earlier in this Section at 2.3.

The table on page 11 provides an overview of the number of available rooms in tourist accommodations across the four settlement foci. The table highlights that the Thurso focus with a smaller number of accommodation businesses offers almost the same number of serviced rooms as the John O'Groats / Wick focus suggesting that in the Thurso area properties / businesses are larger. More detail on the sector is included in Volume II.

OVERVIEW OF STUDY AREA

TOURISM ACCOMMODATION – ROOMS CAPACITY BY ZONE					
Category	**Total No of Rooms**	**Helmsdale / Latheron**	**John O'Groats / Wick**	**Thurso Focus**	**Tongue / Bettyhill / Melvich**
Serviced Accommodation					
Hotel	534	43	161	308	22
Small Hotel	100		37	21	42
Inn	14			7	7
B&B	271	46	128	67	30
Guest House	63	3	22	27	11
Serviced Accommodation Sub-Total	**982**	**92**	**348**	**430**	**112**
Non-Serviced Accommodation					
Exclusive Use	55	18	25		12
Self-Catering	221	36	116	43	26
Hostel	N/A	N/A	N/A	N/A	N/A
Non-Serviced Accommodation Sub-Total	**276**	**54**	**141**	**43**	**38**
Caravan (Pitches)	123	24	20	30	49
Overall Total of Tourism Accommodation Rooms	**1,381**	**170**	**509**	**503**	**199**

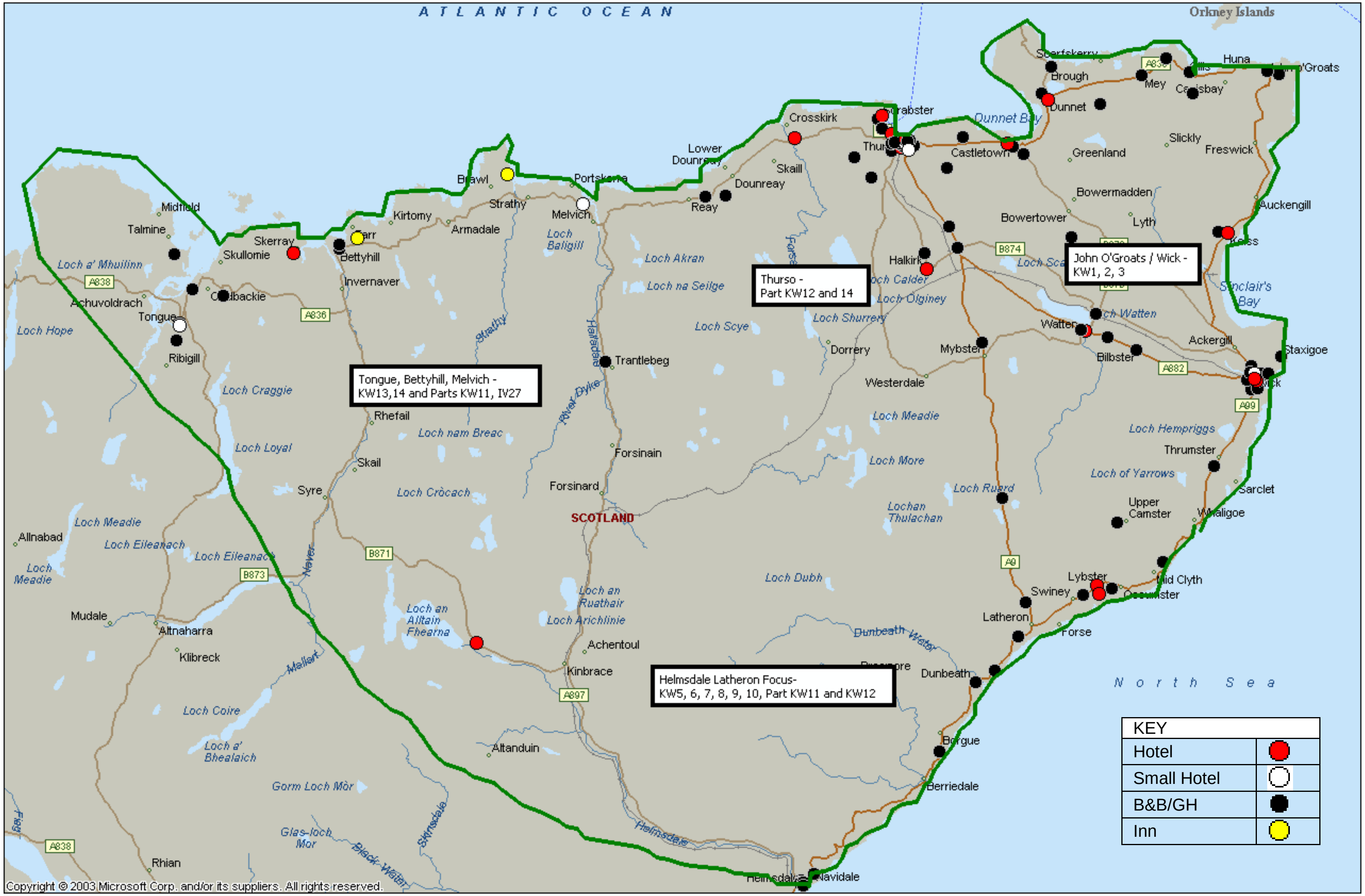
Below is a summary of attractors across the study area identified by the research. Fully detailed listings exist in the Volume II Research Document.

KEY TOURISM ATTRACTORS BY ZONE					
Category	**Total**	**Helmsdale / Latheron**	**John O'Groats / Wick**	**Thurso Focus**	**Tongue / Bettyhill / Melvich**
Activity	21	1	13	7	
Attraction (I)	53	9	33	8	3
Feature (2)	24	4	8	1	11
Fishing	8	1	2	4	1
Sport & Recreation (3)	12	1	5	5	1
Total Attractors	**118**	**16**	**61**	**25**	**16**

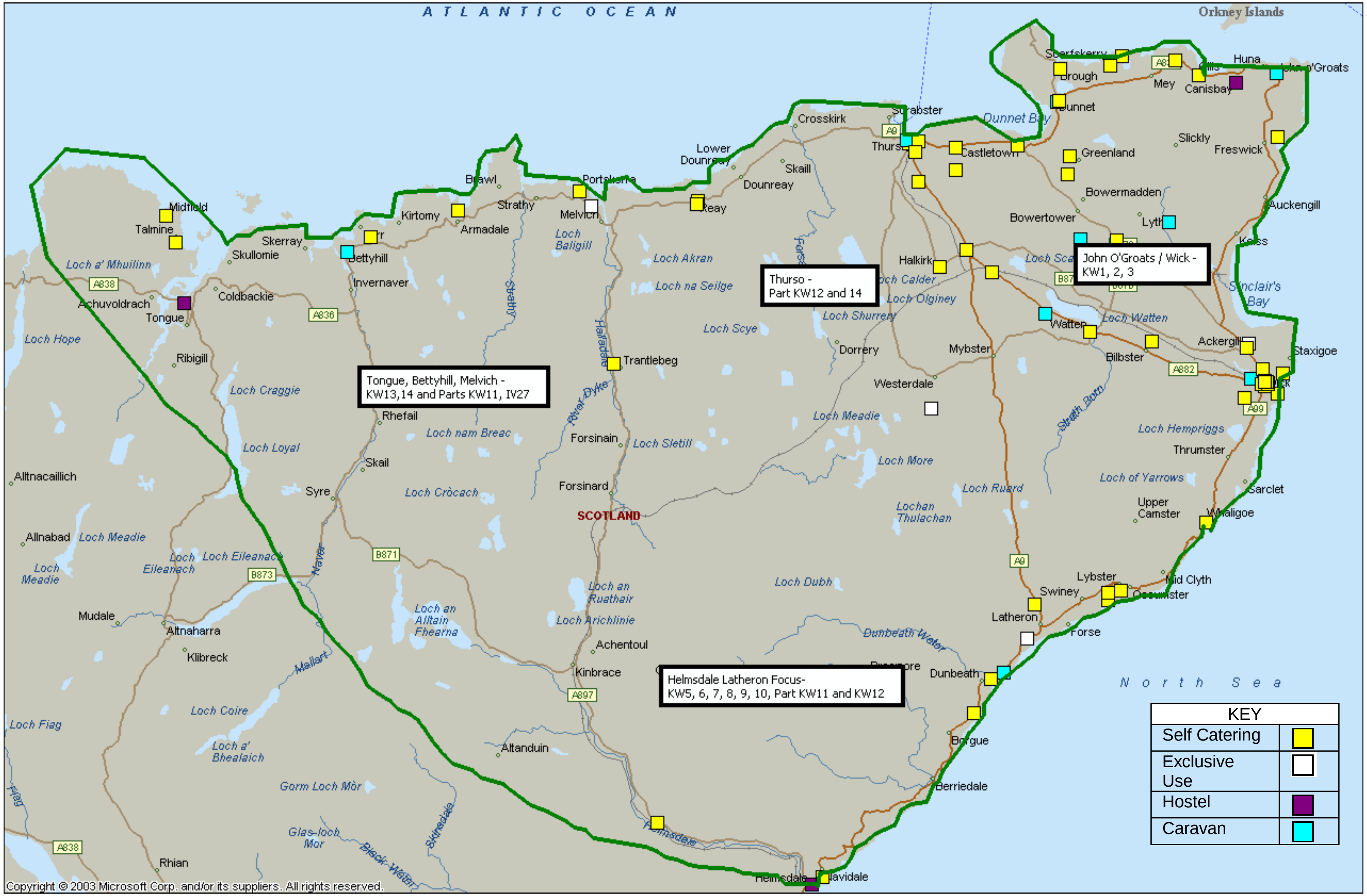
Notes: Classifications are those assumed by TRC for the purpose of this audit. The actual content of each locale are highlighted in Volume II, Appendix I and are in outline;
(1) Mainly built visitor facilities, attractions and museums, etc.
(2) Natural features, etc including viewpoints, etc.
(3) Sports including recreation centres, swimming pools, tennis, football, etc.

In the remainder of this section we provide maps that give a visual representation of the dispersal of the various tourism products across the CNS area.

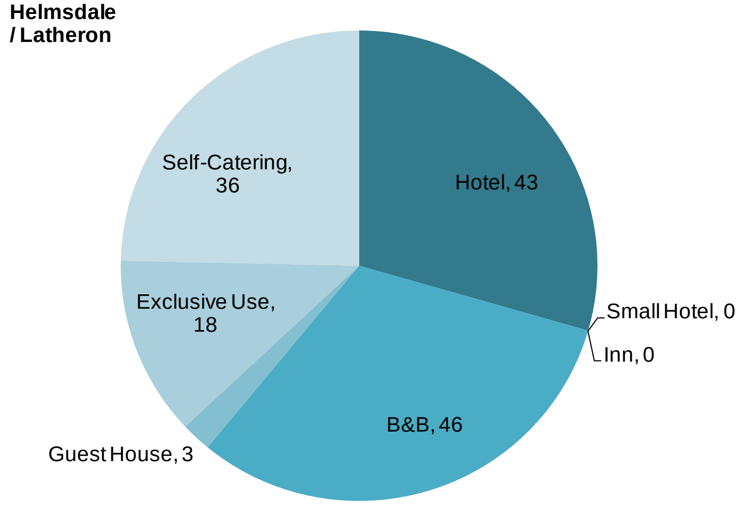
DISTRIBUTION OF SERVICED ACCOMMODATION TYPES

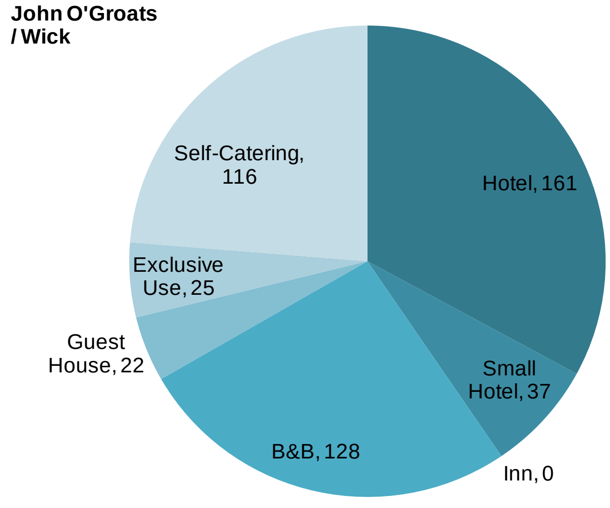


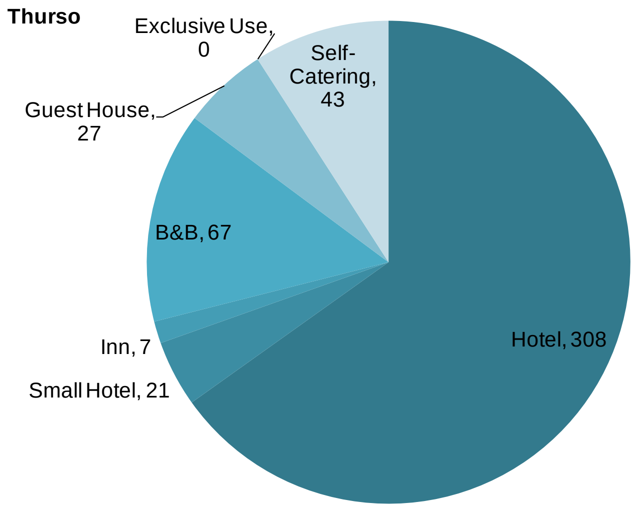
DISTRIBUTION OF NON-SERVICED ACCOMMODATION

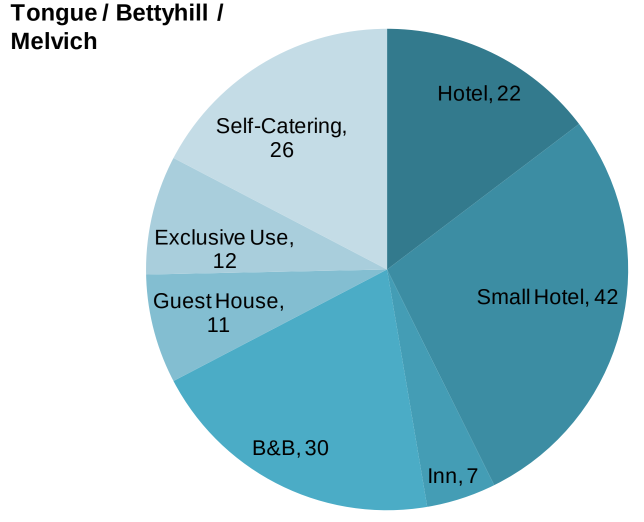


ROOM MIX IN EACH LOCATION

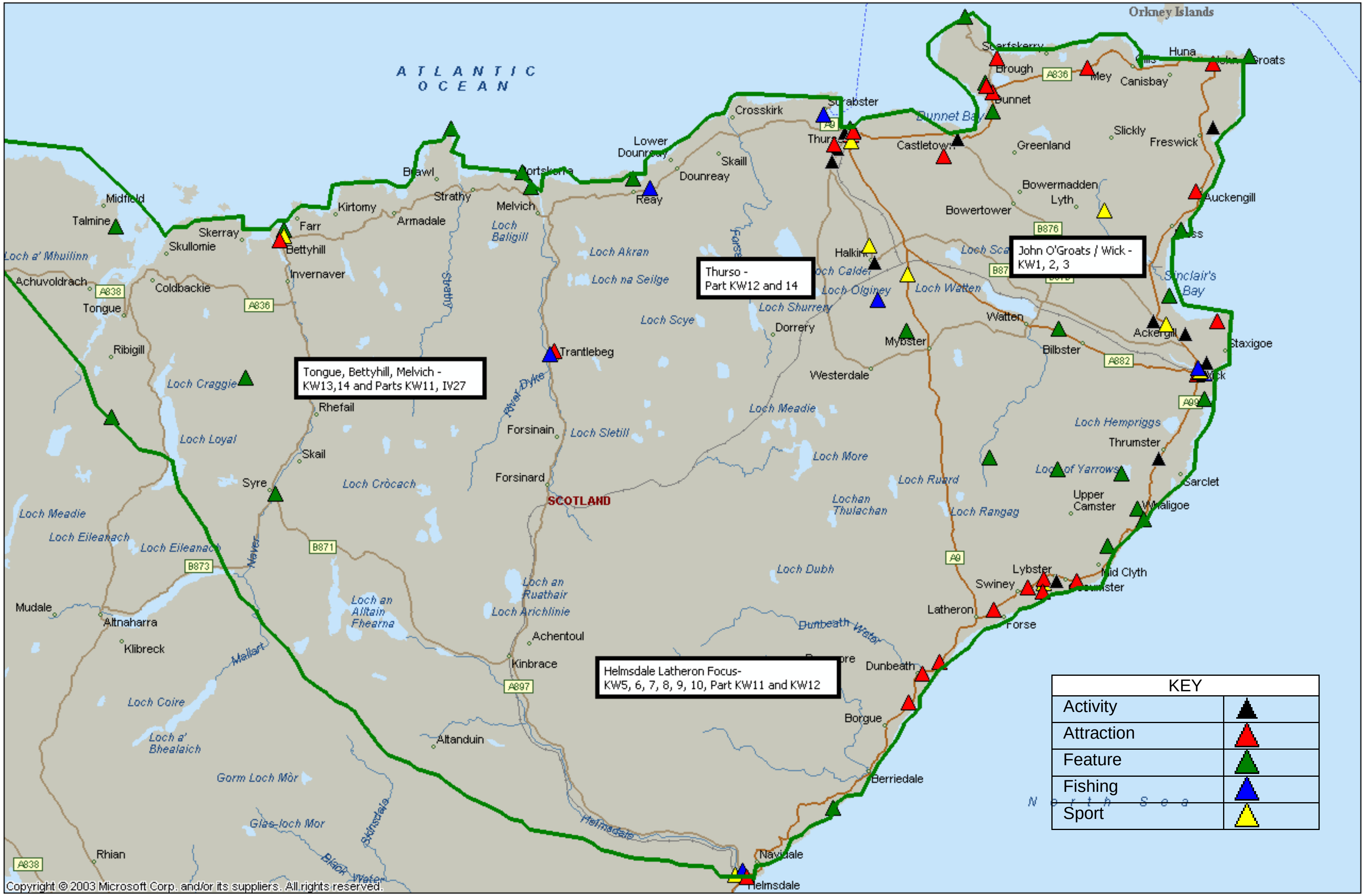








DISTRIBUTION OF ATTRACTORS / ACTIVITIES IN THE AREA



2.5 Potential Future Supply

As part of the study the consultancy team also set out to identify any changes taking place or proposed that would have an impact on the current tourism experience on offer re supply of services and facilities. Discussions with the planning authorities and others suggest very few new developments are in the planning process and when these are in evidence it is mainly for modest scale additions / changes to the accommodation stock. The exception is the major redevelopment of John O'Groats that will include refurbishment of the current semi-derelict hotel and new build to provide a mix of 42 new self-catering units of different sizes. New food and beverage facilities are also seen as part of the project. This initial proposed phase of development is part of a larger masterplan that is being championed for John O'Groats.

In other parts of the tourism and cultural economy others have ambitions and visions for extension and improvements to existing facilities as well as new facilities that range from cultural venues through to residential training facilities to new pathways / trails and events.

New visitor attraction proposals exist at Castletown amongst other destinations and aspirations to unlock the potential of the area's archaeology and historic sites exist. Many of these are highlighted within the documents viewed as part of the consultancy's work – see the Bibliography included in the Appendices (Volume II) that provides an overview of reference materials.

As can be seen a number of operators and developers have plans / proposals for development within the sector. This includes those seeking to invest in the accommodation sector eg Portland Arms Hotel, Lybster and Norseman Hotel in Wick. However to date in the current economic climate few of the aspirations identified during the study have experienced much firm movement. Whilst we cannot comment on the detailed reasons in each case for this there are undoubtedly issues surrounding finance and the availability of funding for projects in the current economic climate.

In conclusion, the research uncovered no indication of any potentially significant changes to the portfolio of built facilities and services nor any major expansion planned to existing businesses that are about to proceed in the very short term save at John O'Groats. However, many have ambitions for new projects and services. In an area like CNS given the scale of the current offering even what would be considered modest scale developments elsewhere in Scotland can have a disproportionate positive effect locally. Of significance in the last few years have been properties like Castle of Mey coming to the market as a new visitor attraction which have had beneficial impact on visitor profiles and patterns.

It would appear that there are few significant changes definitely taking place in the way of 'built' facilities in the short term. However, there are some proposals being mooted including three for pathways and access routes and better interpretation and presentation of history / archaeology, etc. Across the region and in other sectors of the economy there are planned developments and changes taking place which will potentially alter the profile of tourism demand and availability of facilities in the North Highlands area in the coming years. These include nuclear decommissioning and any potential growth in the 'renewables' sector potentially influencing the profile of business tourism demand putting pressure on services and having a knock-on effect to physical product in due course.

2.6 Summary

A perusal of the product offering / dispersal tables and maps and audit listings in the Appendices indicates that in a fairly sparsely populated corner of the world there is a range of attractions, activities, facilities and services across the CNS areas. However closer inspection does tend to suggest that in certain aspects there are some identifiable gaps in current provision. These gaps need to be addressed as a strategic priority and recommendations that will take the first steps to facilitate change are highlighted in the Consolidated Development Framework in Section 6 (the recommendations are for the creation of a spatially-focused destination development plan which in the fullness of time will provide the detail and location of particular development needs across the study area). The gaps are becoming more accentuated when they are viewed against emerging trends nationally and internationally in terms of market needs / wants and product evolution. These factors are discussed in more detail in Section 4 and will inform any future debate around the proposed Destination Development Plan being recommended by this study.

Certain gaps in physical provision and quality of product exist across the area but they are not universal across the product mix. The review provides some surprising findings with quality and coverage / range of offering in particular sectors very good but let down by a shortfall in supply or quality of offering in other product that form part of the mutual and symbiotic support system of a healthy tourism economy. The details of these strengths and weaknesses currently and potentially in the future are explored by the remainder of this report. See particularly Section 4 and 5 for examples of positive and negative aspects.

3 FACTORS AFFECTING FUTURE GROWTH

3.1 Introduction

Key to identifying a future destination development framework for the evolution of the study area is the requirement to understand the broad market opportunities available to the wider destination and each of its main host locations / settlements. This sees the need for an understanding of the changes taking place locally, regionally, nationally and internationally in markets – including understanding the demands and requirements of these markets. In parallel there is a need to be aware of what product evolution is taking place; driving and creating new demand in other destinations in Scotland and world-wide. Awareness of new products evolving internationally and achieving market share alongside what are Scotland's target markets in general, and the region's targets, in particular, must inform any future strategic development of the destination.

Future target markets are those on the radar of businesses seeking to attract customers and organisations responsible for promoting and marketing the destination. These markets are recognised as offering the best opportunities to the destination in its quest for market share. The needs of these market segments need to be understood. This full panoply of the destination product mix influencing potential visitor / consumer behaviour in the future by either encouraging or discouraging a visit.

The consultancy team reviewed and held discussions about the target markets of different operators, agencies and organisations including North Highland Tourism as part of our research. This took place in instances on a one to one basis and at each of the roadshows / workshops. (See attendance lists provided in the Appendices). At the same time TRC brought specialist knowledge and experience to this study in helping identify future markets for CNS. (Identification of targets and needs, when married to the current and potential product supply situation, highlights where the strategic product development opportunities / gaps lie).

3.2 International Market and Product Trends Affecting the Marketplace – An Overview

3.2.1 Trends

A flavour of some of the main market changes taking place that TRC's wide experience of the sector indicates will influence the future success / growth or otherwise in the study area. These influencing and impacting to varying degrees include in no particular order those affecting all destinations world-wide:

Global Trends

- Growth in tourism worldwide is anticipated to continue over the long term – volume increases;
- Emerging markets and new sources of demand are becoming evident vs emerging and new competitive destinations for markets current and new;
- Eco-awareness on the increase amongst consumers both in terms of the environment as an 'attractor' but also awareness of the consumers' environmental / carbon footprint;
- Terrorism / added security affecting choice / feeling of wellbeing and travel patterns;
- Brand overload / confusion, too many choices / similarity in offering;
- Market congestion, escape from the crowd and homogeneous destinations / differentiation is now on the agenda;
- Technological changes affecting consumer information sources / marketing & promotion, consumer behaviour and buying patterns;
- Information overload / influencers on decision making growing / social networking and recommendations;
- In the shorter term the world economy and exchange rate fluctuations have led to growth in domestic tourism or 'staycations' – rediscovering the home product / experiences.

Demographic and Lifestyle Trends

- UK population shift:
  - (2005 – 16% over 65);
  - (2020 – 31% over 65).
- World population majority currently under 30 years of age;
- The rise of 'singles' – spending power;

- Family values – 'togetherness' / change in family structures, effects of divorce / remarriage and the make up of family groupings and holiday taking patterns affecting 'experiences' being sought and product offerings;
- Tribing, large groups of friends / family coming together;
- Ethical consumers – green issues;
- 'Peter Pan'-ism – eternal youth, older being more adventurous and active longer than previous generations with added spending powers;
- Obesity / lifestyle management – increase awareness and interest in health and wellbeing, impacting on purchases;
- Increasing sophistication – quality expectations;
- Demand for authenticity, 'real' experiences not 'pastiche';
- 'Word of mouth' recommendations, 'organic' marketing / promotion, strength of the web / blog / social networking sites;
- Growing connoisseurship – depth of interest / interaction with 'specifics' of the destination experience as an 'activity, culture, cuisine and countryside;
- Conscientious consumerism – giving back and being socially and environmentally aware influencing consumption;
- Mercurial consumption – wide-ranging influences with IT and social media influencing decision-making and swaying purchase choice in consumer short interest timeframes;
- Quest for life-long learning experiences / skills.

General 'Product' / Experience Trends identified by TRC Relevant to Study Area
(New products both leading / creating demand and evolving to meet consumer trends)

- Accommodation / Lodging Requirements:
  - Eclectic design – 'personalised' hotels – boutique hotels;
  - Spiritual retreats, lifestyle spas, eco-products;
  - Timeshare segmentation, increased flexibility;
  - Integrated resort products selling wider area;
  - Fractional ownership emerging in Europe;
  - Coaching hotels – independent car-borne market;
  - Vacation holiday homes / static caravan demand;
  - The continued rise of supply and appeal of Aparthotels (mix of serviced and self-catering components).

- Other:
  - Focus on ‘things to do’, not just ‘things to buy’;
  - Homogeneous retail – reactive against;
  - Growth in new ‘fringe’ activities / sports (for example specialist cycling products moving to mainstream and other new extreme sports forms growing in appeal and prominence);
  - Growing sophistication of the business tourism sector and the ‘connectivity’ it needs via broadband, wi-fi, etc.

3.2.2 Impact of Trends

The ‘destination experience’ within the study area CNS needs to aim at better satisfying existing markets (exceeding expectations) and attracting new markets in future by providing what they want in the form of both attractors and support services / infrastructure.

One of the aims of this document is to help identify the strategic ‘product engineering’ that needs to take place to ensure this position is achieved (building on existing or creating new facilities as appropriate). The findings of this work provides guidance to all those interested in unlocking the market opportunities available to the destination by better balancing the tourism offering, to help reposition the area in the marketplace, and stimulate further economic growth. The aim is to help the destination move towards being a ‘competent destination’ ie one that fully meets the needs of its markets and is structured in a way that it can achieve and sustain a viable tourism sector by being dynamic and alive to the needs of the consumer.

Shortfalls currently exist within the sector and more are anticipated to manifest themselves in the future because this is evident in certain parts of the offering – as mentioned previously within the accommodation sector disengagement with evolving market needs is already beginning to become apparent. This divergence highlights the need for new products and services, and for improvements to the quality of the current experience, to satisfy the demands and needs of the different markets that the area is seeking to target. Product development alongside better destination management / leadership and marketing will enhance ability to compete with other evolving destinations in a changing world.

In terms of this strategic overview the current 'position' and offering the destination experience has been set alongside anticipated market / product trends (taking place globally and locally), with the aim of anticipating the market's future requirements of the destination. This process helps identify strategic developments needed to maintain and grow market share.

Anecdotal evidence suggests that the current leisure markets to the area visit for a range of reasons from sightseeing to participating in extreme activities / sports provision and simple relaxation alongside visiting friends and relatives or engaging in business activities. Within these 'reasons for visit' or 'experiences' sought by consumers there are a raft of influences and trends emerging affecting what is 'purchased'.

These changes are not confined to just the local or regional environment, but are global changes – changes evidenced by consumer and product trends taking place elsewhere eg in Scotland and rural England as well as in emerging destinations across the globe. These tend to suggest the current CNS destination offering may increasingly fall short of market expectations in future or appear to fall short through a lack of awareness / profile / correct positioning and identity.

In some instances the destination potentially will fail to raise its profile and identity sufficiently to attract market share in the future in the face of fierce competition from other destinations. In other instances failure may come from inability to meet the needs of certain market sectors in the longer term in terms of 'quality' and type of experience on offer. [The commercial support services in certain instances and settlements, products and services of a type and quality increasingly in demand, are simply not available. Exacerbating the situation is that at times (seasonality) product is also either unavailable or in insufficient supply. These factors currently manifest themselves as 'gaps' in the area's portfolio affecting growth].

As indicated, changes are taking place in terms of markets and products that will ultimately affect the vitality and success of the area. These trends are detailed in a range of other studies and reports, and are not reiterated in detail here (see Tourism Intelligence Scotland for a flavour of these changes and documents www.tourism-intelligence.co.uk).

The wide-ranging changes / undercurrents taking place alongside the recent economic turmoil, have strategic importance to the economic health and wellbeing of the area and how it identifies, positions and prepares itself for the future to maintain current market share and grow and increase market penetration. Failure to take due cognisance of the changes taking place will see the destination fall short of the market's expectations or ability to hear its 'messages' above the increasing cacophony of background noise and marketing and promotion of others. There is a need to keep on top of changes – to be willing to be flexible and responsive so a dynamic evolving tourism product is necessary – always seeking to develop as markets and wider factors change – sometimes totally unpredictably.

3.3 Strategic Overview of Future Markets that Offer Opportunities

Provided in Section 3.5 is a broad overview of the potential future markets it is envisaged offer opportunities to the study area. [Detailed discussion of future markets / market opportunities will ultimately form the focus of future studies and marketing & promotional documents that still have to be developed to support the creation of a 'competent destination' (See Bibliography – HIE and SE Tourism Destination Development Guide)].

Profile of Markets

Future markets that will offer opportunities to the CNS areas are considered to fall into a number of different categories and include those discussed below. It can be seen that at a very broad level, they are, in the main, already evidenced in the area. However, what is of note for the future are the trends that indicate the leisure markets are moving towards buying 'experiences' and 'authenticity' and the influence this will have on the choice of destination in the future. This factor presents opportunities for CNS given its strengths in terms of extremes of environment and its culture and heritage.

Business tourism in the area is also likely to change in the future as decommissioning at Dounreay proceeds and potentially the renewables sector brings in a whole new raft of business tourism personnel during construction / servicing phases.

It is important to appreciate the future markets for the study area and the different strengths each of the different settlements exerts which will have an impact as the destination offerings of each better align with the needs of particular market segments. The different foci under review are not homogenous and each has appeal in a range of markets, not all similar. These local differences have been considered by the team and must inform thinking around the product development issues going forward. The future Destination Development Plan will need, as a result, to reflect this spatial / local dimension.

Discussion with the various stakeholders and at each of the roadshow events provided insight to the future target markets it was believed offered opportunities to the study area and of each of the settlement foci – see Section 3.5 for discussions on the markets that the area or wider study area will appeal to in the future.

This profiling of markets, prepared by TRC, has used a 'segmentation' analysis that includes a mix of traditionally, widely accepted, segment categories / profiles and terminologies now widely used by VisitScotland and others in the sector.

The segmentation analysis used by VisitScotland is presented as Appendix IV in Volume II of this report. This document provides a useful touchstone of information as it profiles the nation's future targets and their purchasing, behavioural profile which provides an understanding of their needs. This influences, in turn, the product development recommendations required.

In essence, markets that offer opportunities in the future are, at the broadest generic levels:

- **tourists (those staying overnight); and**
- **day visitors to the area.**

These, at the generic level, are similar to the existing position. However in future, varying degrees of difference and change will manifest themselves. Subdivisions or segments that make up this top line demand are discussed overleaf.

Market Segmentation Analysis

The main drivers of overnight tourism to the wider area are currently Leisure Tourism and Non-Discretionary Business Tourism with some Discretionary depending upon which locale one is viewing (see earlier comments). The classification or segmentation of potential markets or targets for the area is extremely difficult to confirm at this time as different people give different 'appellation' to similar sectors. In recent years VisitScotland has segmented domestic UK tourism under a now accepted range of classifications and overseas tourists described as per generating sources in the main. This report has adopted similar categorisation but we also have provided 'headings' or 'targets' identified by stakeholders and those attending the roadshow events.

In the final analysis the 'target' markets that the destination will seek to attract in the future need to be confirmed and enshrined in a marketing and promotional strategy and plan – see later recommendations Section 5. (Such a strategy will see the need for 'external' consumer research to confirm what sectors in reality see the CNS providing what they seek). In broad terms it is assumed that markets offering opportunities strategically fall into leisure, business and VFR sectors from both the UK and to a much lesser extent overseas. (The relative scale of each has not been considered at this time re setting of targets / promotional effort, etc – this will be covered by any future marketing strategy as is recommended in Section 5.

The following sources of demand could be anticipated in the future for the wider area though the relative scale of opportunity in each sector will vary across the geography of the host destination. Demand will include individual travellers and those travelling in parties / family groups / tour groups, etc.

DOMESTIC TOURISTS *(see VisitScotland Segmentation Analysis)*

Leisure Tourists

In the main it is anticipated domestic leisure tourism will come from Scotland as well as English regions mirroring the markets targeted by VisitScotland:

English Domestic

- Affluent Southern Explorers;
- Younger Domestic Explorers;
- Mature Devotees;
- Affluent Active Devotees.

Scotland

- Short Breaks and main holidays from various Scottish location;
- Short Breaks from within the Highlands region also an important source.

Business Tourists

- Non-Discretionary (Public Agencies, NHS, Dounreay generated in the main with the wider commercial sectors also in evidence);
- Limited discretionary demand (team building / training and conference related).

OVERSEAS INTERNATIONAL TOURISTS

Leisure Tourists

- Traditional[3] International Markets:
- New[4] International Markets (to a lesser extent):

Business Tourists

- Non-Discretionary Dounreay / Renewables and Extraction industries-related in the main);
- Limited discretionary demand. (If in future the area evolves as a significant base for Renewables and evolves a Centre of Excellence then there is potential for markets to be attracted to use the area as a base for learning re conferences, training etc).

OTHER SECTORS OF DEMAND

Day Visitors

This sector does not utilise the accommodation stock, it is made up of demand from:

- Scottish Residents mainly from other parts of the Highlands and from within the area itself;
- Overnight Tourists Resident Elsewhere Outside the Area making day visit excursions into or through the Area (see segmentation profile above re this sector);

Holiday Home Sectors

Semi-Resident Markets.

[3] Tourists from traditional / mature generating countries for Scotland ie US, Western Europe etc.
[4] Emerging markets – Eastern Europe, Far East / Asia to a much lesser extent in the immediate future though the End to Enders are evident in this sector.

The previous segmentation analysis is but one way of describing the market. During the Phase 1 roadshow events local stakeholders categorised markets that they perceived to offered opportunities under a different set of headings suggesting the following were targets. (In the final analysis which ever is adopted it needs to be understood by all so that promotional messages and product development by all those active in the sector are rallying round a clear list of aims / objectives and targets).

Other ways of classifying potential future sectors of demand have been offered and they include:

- Business Tourists
- Non-Discretionary Business Tourism
- Young / Extreme Sports (inc Surfers)
- 'Self-Catering' – see Tribing, Events, Repeat Visits
- 'Older' 55+
- John O'Groats / End to End
- Grand Tour (Highlands)
- Orkney-Related
- Events
- Lifelong Learning
- Cruise Market (Main & Niche)
- Sailing Market
- Activities (Walking, Surfing, Wildlife, Fishing, Equestrian)
- Eco-Tourism
- VFR

3.4 Marrying Market Needs to Product (Relative Strength of Opportunity)

The above indicates the study area can potentially, in future, exert a fairly broad appeal amongst a wide range of markets. However, the diversity of the wider destination and product experiences available across it sees the individual appeal of the four settlement foci fluctuating across the sectors both in terms of the spread and scale of appeal. This factor needs to be reflected in any future Destination Development Plan. The area is not homogenous. The topography varies widely and various parts of the destination have differing appeal to different market sectors. As a result, the future development of the area needs to reflect, to an extent, a geographic or locational bias to achieve sustainable development and effective marketing & relevant promotion

The differences across the study area will ultimately see different parts offering potentially different 'experiences' that have closer fits with the various relevant markets and their requirements. [These factors will influence the destination's development in the future. This highlights the need for differing forms of development eg infrastructure, services and accommodation aimed at increasing appeal and unlocking economic potential being 'rolled out' in different locations in an attempt to increase market penetration and generate additionality – see new projects in the pipeline eg John O'Groats].

3.5 Destination Appeal and Market Fit – Future Target Markets

The matrix appraisal overleaf highlights what are suggested at this time to be the 'relative' strength of market opportunity, in different market sectors, in different areas across the geography of the study area. The matrix also indicates the relative strength of each part of the study area against the others, in each market sector. This table is intended to encourage debate as it is used to inform the product development recommendations presented later and will influence the content and focus of the proposed destination Development Plan which will include and highlight the development options for each of the settlement foci and their hinterlands across the study area.

The matrix is provided merely to inform and stimulate the debate on potential future product development across the geography of the study area. Each settlement foci is appraised for the strength of appeal it has to each sector both now and potentially in the future. (This has been prepared at this time by the consultants and is open to discussion going forward). When one views the needs / wants of the different markets against the current local offerings it helps highlight the potential shortfall / gaps in services and facilities and this can help focus development at the overall destination and sub-destination levels. This is a task for the future once a development mechanism has been agreed to take forward tourism in the study area, see Section 6).

(In some instances gaps / development needs / skills needs are only evident at the micro level ie in individual settlement foci (one of the four locales making up the study area. However in certain other aspects of the product portfolio where the market will travel over a wider area to track down and access experiences the gap is more at the macro or wider study area level. By the way of example: individuals seek overnight accommodation and dining opportunities in specific areas usually in close proximity to each and often near the main focus of their stay if a specific focus or activity destination is the centre of their visit. In other instances ie a general visit to the area, when it comes to sourcing general activities or attractions the market will often travel greater distances ie across the whole study area to access a particular activity or sport meaning the gap that presents itself is not at a local level).

FUTURE MARKET FIT – RELATIVE STRENGTH OF MARKET APPEAL					
Market Sector	**Helmsdale / Latheron**	**John O'Groats / Wick**	**Thurso Focus**	**Tongue / Bettyhill / Melvich**	**Consultants Assessment of Overall Area**
LEISURE TOURISM (OVERNIGHT – EXCLUDING FISHING AND FIELD SPORTS)					
VISITSCOTLAND MARKETS					
Affluent Southern Explorers	3	3/4	3	3/4	3/4
Young Domestic Explorers (Families)	1/2	3	3	1/2	2/3
Young Domestic Explorers (Singles / Couples)	3	4	4	4	3/4
Mature Devotees Inc Bus / Coach Tours	3	4/5	4/5	3	3/4
Affluent Active Devotees	3/4	2/3	2/3	2	2/3
TRADITIONAL FOREIGN / OVERSEAS MARKETS					
Northern EU (Germany Holland and other foreign / overseas markets including N America) – touring overnights]	3/4	4	3/4	4	3
Emerging Overseas Markets	1/2	2/3	2	1/2	1/2
DAY VISITORS					
Bus / Tour Groups Passing Through	2/3	4/5	4/5	1/2	2
Bus / Tour Groups as Day Destination	2/3	5	3/4	1/2	2/3
Independent Scottish Residents on Leisure Day Trip from Outside Area	3/4	1/2	1/2	2/3	2/3
Independent Tourists from Outside Area Making Day Trip to Destination (Domestic and Overseas)	3/4	2/3	2	3/4	3
Independent Tourists from Outside Area Passing Through (Domestic and Overseas)	1/2	3	4	1/2	2/3
Independent Specialists / Activity Day Trips (Scottish Residents and Tourist from Outside Area)	2	3	3	2	2/3
VISITING FRIENDS AND RELATIVES (VFR)[5]					
VFR	2	4	5	1	3
BUSINESS TOURISTS					
Non Discretionary	2/3	4	5	1	4
Discretionary	1	3	4	2	1/2

Note: 1 = weak and 5 = strong
Non-Discretionary Leisure ie Field Sports and Fishing also exist (demand driven by location of Fish and Game).

(This table will be interrogated and confirmed or otherwise by those taking forward the recommendations included in the report. These recommendations are to conduct primary consumer research to confirm market opportunities and create a marketing strategy and plan for the wider destination).

5 Is a function of resident population size

3.6 Conclusions

The tourism sector in CNS has ambitions for the future. What is clear from the analysis thus far is that the current offering is, in places, at odds with market trends and product gaps exist. However that said in certain areas investment is planned which will improve the offering both in terms of supply and quality, again for example the John O'Groats proposals will help fill gaps in a particular type of accommodation offering in a certain geography.

Anecdotal evidence of slippage in the quality of products and services is, to an extent, borne out by the consultants' appraisals and from the feedback from participants at the Phase 1 roadshow events. These factors, when set alongside the needs and expectations of the markets that might be 'targets' or attracted in the future, indicate a generic, and in specific areas across the study region, a growing potential mismatch between supply and range of services and facilities and evolving demand. This suggests opportunities for investment exist.

One of the issues in future (as now) that is likely to continue to impact negatively on the leisure sector is the one of 'seasonality' which is particularly prevalent in CNS mainly as a result of locational and access issues that curtail current ability to attract certain sectors of demand. This issue itself can be partially mitigated by evolving new products that are less seasonally affected and can help overcome seasonality issues ie events, new forms of accommodation linked leisure and less weather dependent 'packages' built around activities that are not necessarily affected by extremes of weather eg see 'life long learning' markets re arts / crafts, etc. Change is also required in some locations where availability of overnight accommodation provision and related services of retail, food & beverage and activity service support (re critical mass and year-round provision), need to be addressed in tandem – the two are inextricably linked and cannot be separated. The provision of attractors including accommodation that have year-round appeal is also important.

The study identifies a broad base of product development opportunities across the geography of the area – these are discussed in more detail later in Section 5.

4 IDENTIFICATION OF KEY ISSUES CURRENTLY AFFECTING GROWTH POTENTIAL

4.1 Introduction

This section provides a summary overview of the findings of the consultancy review and the feedback received from the audiences at each of the roadshow and workshop events staged across the study area. Consideration of the issues provides support to the rationale behind the recommendations presented in this report to mitigate adversity and build on the strengths and opportunities. The team, in tandem with all those with a vested interest in the area's future, considered the current strengths, weaknesses and issues affecting the destination offering against planned changes and the demand situation surrounding target markets and their needs. This approach has helped highlight a range of issues affecting growth 'opportunities' and how they might be addressed to take the wider area and its tourism sector forward.

The issues are discussed below. The factors highlighted help focus thought on where strategic opportunities to facilitate change and foster growth lie. Below we recreate and summarise the main findings of the roadshow groups which are presented in no particular order. (The lists are not necessarily exhaustive but reflect the feelings of those currently active within the sector. The notes recording the findings from each of the development events / roadshows are presented in Appendix X of Volume II).

4.2 Perceived Strength of the Current Destination Experience

- John O'Groats Icon
- Orkney Visitors
- Remote / Quiet / Tranquil / Mysterious / Wilderness / Seclusion
- Located within 'Highlands' – A Recognised Destination
- Land & Seascapes / Coast
- Caithness Stone
- Royal Connections
- Surfing / O'Neil
- Fishing
- Game Sports
- 3rd Sector Active in Area
- Diversity of Wildlife
- Geology / Geopark
- History (Clearances & Norse)
- Archaeology
- Sailing
- Dunnet Head / RSPB
- Telford
- Single Track Roads
- Food & Drink
- Renewables
- Astronomy / Dark Skies
- Culture / Music

4.3 Product / Destination Shortfalls – Weaknesses and Issues Curtailing Growth

- Lack of Clear Identity / Consumer Perceptions Vague
- Remoteness / Accessibility
- Seasonality / Sustainability
- Self-imposed Short Season
- Tourism Information Provision
- Marketing & Promotion (Budgets & Messages)
- Competition (External & Internal)
- Quality of Destination Images (Picture Library Available)
- Transport (Cost, Time, Integration, Availability)
- Parochialism / Distrust / In-Fighting / Lack of 'One Voice'
- John O'Groats (Quality & Existing Perceptions
- Skills Shortages / Availability of Training Locally
- Retail Availability / Self Imposed Closure Times, etc
- Small Scale Events / Viability and Ability to Maintain Provision
- Links, Communications, Structure to Deliver a Cohesive Competent Destination are Lacking – No Forum of Focus for Sector)
- Cohesion & Collaboration between Public & Private Sector
- Lack of Ability to Identify / Understand Business Opportunities Within Much of the Sector
- Difficult to Attract Inward Investment
- All Talk, No Action / Disillusion – Repeated Attempts at Delivering Change in Sector have Produced Few Wins
- Better Focus on 'Key' Markets & their Needs (Lack of Agreement on Markets)
- Lack of Ambition in certain Sectors of the Supply Market
- Support Services re Business Tourism – Infrastructure & Services to Support Discretionary Business, etc
- Technological Changes – Connectivity

4.4 Conclusion

It is clear that when considering the current situation and targeting growth actions need to be taken. There are a number of issues running in tandem: one is the wider study area's 'shortfall' in certain parts of the current product offering, in terms of type of supply and scale of supply of visitor infrastructure, plus the quality and price point of that supply; and, the other are the 'spatial' issues surrounding that supply. Other factors also at work are: destination awareness and profile in the marketplace re destination identity and marketing and promotion of the destination. The structure of the tourism sector ie leadership and partnerships, following a common direction of travel informed by joined up thinking is currently lacking and having an adverse impact on growth. These issues are discussed in more detail later and recommendations for corrective action are included in the Development Framework.

Potential future target markets for the area have been discussed and drilling down into the 'needs' of each, will reveal the facilities and experiences each seeks informing the proposed Destination Development Plan.

Consumer needs, when set alongside the current offering, throws into relief the current destination shortfalls highlighting development opportunities that will deliver growth. (Note – Care needs to be taken here as 'gaps' are one aspect and potential 'investment opportunities' and potentially viable development projects are another. The commercial viability and reality of opportunity needs to be a considered factor at the appropriate time when projects are brought to the fore. Independent financial commercial feasibility and sustainability appraisal of projects should be a core consideration and conducted at an early point).

Discussion at some of the roadshow events saw some participants suggest that the study area is anecdotally claimed to suffer from ".... a lack of things to do". This is considered by the consultants to be far too simplistic. The audit of the study area clearly indicates a broad and varied raft of supply across many aspects of the visitor offering. The area has depth to its visitor experiences that do not have a high profile or awareness outside CNS. Whilst certain gaps / opportunities do exist and need to be filled if future success is to be achieved in a dynamic and changing marketplace the main building blocks are there – the built and natural environment of the destination providing a backdrop. Many of the 'reasons' for a visit are available but quality support services are missing in certain locations eg accommodation / quality food and beverage offerings curtailing engagement and the overall visitor experience. See emerging trends in accommodation and food and beverage operations sought by the various sectors as discussed see Section 3.

At a strategic level, the consultants, and the conclusions of the participants at the various workshop groups, point to a range of product / service gaps and structural factors across the wider area that need to be addressed if growth is to be achieved.

The main factors that need to be addressed fall within the following headings:

- Product & Services Gaps / Development Opportunities;
- Skills (Vocational, Management and Leadership);
- Market Positioning / Awareness and Promotion;
- Focus / Leadership, Structure and Partnerships within the Tourism Sector – Destination Management.

These points are discussed in more detail in the remainder of this document.

5 GROWTH OPPORTUNITIES / KEY RECOMMENDATIONS

5.1 Introduction

The work concluded by TRC identifies issues that need to be addressed to help facilitate growth in the CNS tourism sector. These include changes and investment in the sector needed to help unlock growth opportunities and provide positive impact to the regional tourism economy. These all fall under 'Destination Management issues' as they pertain to a competent and successful destination. This sees a need for a comprehensive all-embracing destination approach to development and promotion going forward, which can help drive real step, transformational change within the tourism sector.

5.2 The Aspiration

A more successful tourism sector in CNS would be one that:

- Increased the Volume and Value of Tourism;
- Created Employment;
- Ensured Sustainability of the Sector;
- Engaged and Empower Business and Resident Communities;
- Facilitated by:
  - Building on Market Opportunities;
  - Extending Season;
  - Extending Spending Opportunities.

The work concluded by TRC in Phase 1 of HIE's ATCNS programme has helped identify, at a high level, the different forms of intervention that can be given to help CNS's tourism sector grow. These call for a wider, more cohesive destination approach being taken to the future which can help drive real change within a sector where there is currently real industry dissatisfaction with the existing position.

In order to move forward, there is the need for certain early activities, actions and steps to be taken to produce change – these are discussed overleaf.

5.3 Key Issues / Recommendations

The tourism sector in CNS has ambitions for the future. What is clear from the analysis thus far is that the current offering is, in places, at odds with market trends. However certain investment is planned which will improve the offering both in terms of supply and quality.

Anecdotal evidence of slippage in the quality of products and services is also evident, to an extent, borne out by the consultants' review and the Phase 1 events. These factors, when set alongside the market's expectations indicates a growing potential mismatch between supply and evolving demand exacerbated in cases by seasonality issues. This suggests opportunities for investment exist.

There are a number of other issues running in tandem with these supply issues re the wider study area's 'shortfall' in product offering. These include the quality and price point of that supply; as well as 'spatial' issues surrounding supply. Other factors also at work negatively are: lack of destination awareness and profile in the marketplace re marketing and promotion of the destination. The structure of the sector ie leadership and partnerships, following a common direction of travel informed by joined up thinking is also currently lacking.

At a strategic level, the consultants, and the conclusions of the participants at the various workshop groups hosted during Phase 1 point to a number of key issues that need to be addressed. These all revolve around 'Destination Management' which encapsulates two main aspects affecting future success. It is around these that TRC's main recommendations for the future revolve. They include:

- **I Structure of the Sector; and**
- **II Strategic Plans.**

These are discussed more fully overleaf.

I Structure of the Sector

A key finding of Phase 1 was the fragmentation evident within the local tourism economy. Currently there is no single organisation or structure providing leadership and direction or forming a rallying point around which all those with a vested interest in the sector's future can congregate. There are also no clear, integrated, communication channels or opportunities for dialogue between all those active and with a vested interest in the health of the sector. This vacuum and frustration with conflicting priorities and duplication, is one that the participants during Phase 1 highlighted as causing the most difficulties going forward and unlocking opportunities.

There are a plethora of organisations and bodies active in and around the periphery of the sector and there is confusion over the role played by many. Apparent duplication / overlap and failure to provide joined up thinking or to enhance and coordinate individual effort and budgets to produce real impact is causing real frustration locally and across the study area. There is considerable dissatisfaction across the sector with this lack of ability to come together.

Phase 1 produced a clear consensus that there was no appetite for the creation of 'another' organisation to take a lead in the area. There was, however a willingness to support the evolution of an existing body or bodies into one truly representative of the sector.

Key to a successful structure will be one that;

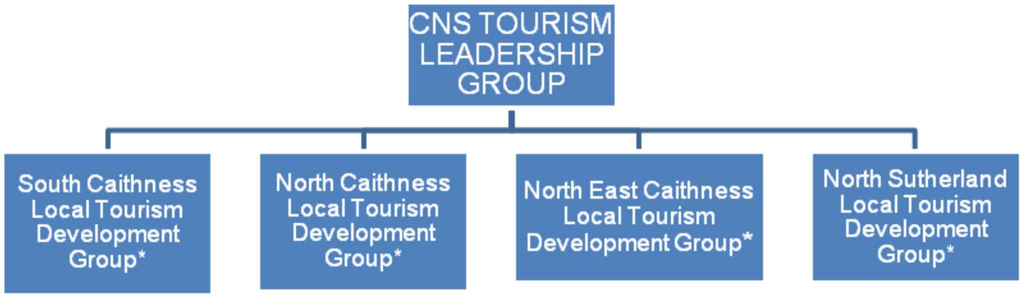
- Emerges and has overarching representation from all parts of the tourism community (public, private, 3rd sector, community) – this needs to build on existing and evolve opportunities perhaps to form a social enterprise?
- Captures local passion and does not stifle it; and
- Is clearly understood and is a transparent structure which demonstrates and articulates early wins.

Phase 1 also saw a unanimous call for an 'integrated structure' that was linked to a strong plan for the area – A Destination Development Plan. (See later).

The leadership structure of the sector is an issue that needs to be addressed immediately so that other strategic priorities and recommendations can be confirmed and progressed as a matter of urgency. Early discussions suggest that in the short term a wider audience needs to be brought together to work out and confirm a 'structure' for going forward. (The Phase 1 work of the ATCNS programme which has brought the wider industry, communities and agencies together will provide a valuable basis on which to build).

As a matter of urgency therefore the Destination must address the issues surrounding leadership and structure of its tourism industry. This needs to be tackled in the next few months. Without an agreed leadership and structural model in place it will be impossible for the area and the different communities to start moving towards creating, adopting, and delivering strategic plans to grow the sector.

In its most simplistic format a structure along the following lines could emerge:



(* Each potentially mirroring the geography of the different zones used in this study).

In each case 'make up' of the bodies to be agreed but it is envisaged each would include a range of public, private and community stakeholders. Broad representation in each, both 'leadership ' and 'locale' providing a structure that would help the diverse area evolve plans for the future and have delivery vehicles at grassroots and area-wide level to progress strategic aims and goals).

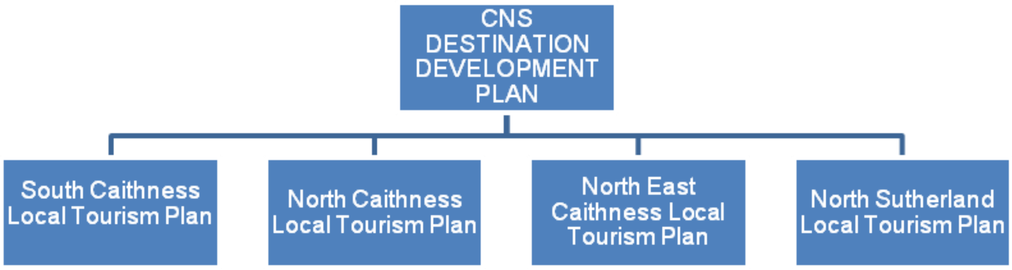
II Strategic Plans

At present there is no detailed, comprehensive and cohesive plan for the tourism sector in CNS. Strategic well thought out plans and priorities need to be put in place as a blueprint to guide the undoubted ambition and groundswell across CNS to grow the tourism economy. This sees the need for a comprehensive destination plan to be evolved that both informs, and is informed by, a series of ‘community’ or local plans. The overarching plan to be evolved and confirmed by the CNS Tourism Leadership Group. Local plans for each of the zones to be evolved by the individual community / foci across the area’s wider geography. Here again the four communities used for this study could be adopted as those that will make up the ‘structural and planning focus’ of the sector. These local development plans will be prepared by local groups and will feed into, and be informed by, the strategic Destination Development Plan. In this way the aspirations and ambitions of the different communities can be captured in the Local Development Plans. If necessary at some point some form of rationalisation and prioritisation of local ambitions may have to be undertaken to ensure a fit with the agreed Destination development.

This will see two levels of linked planning:

- An overarching Destination Development Plan; and
- Local Tourism Development Plans.

The preparation of these Plans should also be progressed as a matter of urgency. However the reality of the fast approaching peak tourism season of 2011 will potentially see the need for this aspect of work to take place late in 2011. It is hoped with detailed Plans to be in place by late 2011 / early 2012. The various Plans reflecting the sectors agreed structure. (For example).



A generic format will see both the Destination Development Plan and Local Tourism Plans evolve to provide direction to activities aimed at addressing the full range of issues affecting the growth of the tourism sector. These factors including:

- Product Offering;
- Skills (Vocational, Management and Leadership);
- Communications and Promotion; and
- Market Intelligence / Monitoring and Evaluation.

Each is discussed in more detail and have been classified for the purpose of this study and the recommendations for the future Plans under the following themes:

- Product and Services Development;
- Business and Skills Development;
- Communications – Marketing and Promotion; and
- Ongoing Industry Monitoring and Evaluation.

Recommendations for each theme have been captured in the Framework for Tourism Growth. (A fuller list of potential activities / actions and interventions was drawn together from the outcomes of the various Phase 1 local events – see Volume II – these providing potentially the start point for the Local Tourism Plans).

All the findings and development suggestions of the Phase 1 programme were reviewed by the consultants with the final workshop participants and a 'short list' prepared of prioritised activities aimed at delivering early change. These are highlighted below. These and the other findings will in the fullness of time inform the creation of the area's Destination Development Plan and the Local Tourism Plans.

5.4 Product and Services Development – Key Findings & Recommendations

The audit of the existing destination offering when laid alongside future target markets suggests there are service gaps and products that need to be addressed. The following have emerged as the main priorities, presented in no particular order.

Products and services cover the whole mix from overnight accommodation to attractions and activities. Across the wider geography in individual settlements, the study review clearly highlights the need for different enhancements in the various locales. Confirming the ‘detail’ of such will be the subject of the next phase of the ATCNS programme (see the preparation of a detailed Destination Development Plan and Local Tourism Plans). Notable at this time is the need for new and improved accommodation products. Also, the retail and food & beverage sectors are in need of attention in terms of quality and availability.

Recommended Priorities for Product and Services Development

- A key priority by all involved in the Phase I is seen as being the creation of local plans that reflect the development and market opportunities for the different settlement foci / locales across the study area – these are envisaged as informing, and being informed by, the overarching Destination Development Plan for the whole study area;
- New ‘attractions’ and attractors – reasons for visits need to be created and existing improved;
- The overnight accommodation offerings need to be better aligned with emerging market needs and competitive products elsewhere – eg resorts / boutique properties / residential training facilities / education activities / outward bound bunkhouses etc – where commercial viability can be ascertained;
- A calendar of events / new out of season events need to be created;
- More to be made of local food and its provenance;
- Transport issues affecting the destination need to be addressed (see access, frequency, cost, integration, etc);
- Basic visitor infrastructure re toilet provision, etc needs to be addressed.

5.5 Business Skills Development – Key Findings & Recommendations

Business and skills development are those issues associated with grassroots operators of tourism oriented business and services eg accommodation, food and beverage, retail, attractions and activity providers, etc.

The review suggests a number of areas where there was need for change. Opportunities presented themselves that if tackled could lead to an improved visitor offering and more viable, sustainable and profitable operations. Business and skills development needs identified by Phase 1 and the consultants review highlighted such issues as vocational, management and leadership skills; business management and monitoring. The prioritised opportunities and recommendation for the future identified, include those listed below.

Recommended Priorities for Business Skills Development

- Vocational skills / Service skills improvements / Customer care;
- Business management skills (Business practice – financial planning, monitoring financial and trading performance, financial management; quality management);
- Leadership Skills (Business Leadership and Sectoral Leadership);
- Business Skills – Appraisal of Opportunities and how to unlock niche opportunities and understand, assess and implement investment strategies.

5.6 Communications – Marketing & Promotion – Key Findings & Recommendations

Discussions reveal a broad consensus that all 'communications' issues associated with CNS's tourism sector are in need of review. This includes marketing and promotion that is consumer facing through to communication within and across the sector. A comprehensive plan needs to evolve if opportunities are to be capitalised upon. The plan and its contents and direction of travel understood adopted, and agreed by all ensuring critical mass in collective marketing messages is gained and success achieved. Marketing and promotion of the destination is of paramount importance if success is to be achieved – a factor highlighted by Phase 1. Communication issues are also about the internal dialogue across the wider geography of the area and between different sectors of the tourism economy. Poor communications are a major factor affecting the study area's current ability to successfully unlock opportunities. Key priorities are identified overleaf.

Recommended Priorities for Marketing and Promotion

- The number one priority by all participants in Phase 1 was seen as the need for the area to 'find' and confirm its 'identity'. There is a strategic need to seek a position in the marketplace and for that to be confirmed by communication messages / product development and marketing in light of the target markets identified. This will emanate from an informed marketing strategy – see below. [When, and if appropriate, this can build on work and marketing assets already developed by other organisations in the area];

- Following on from destination identity seen as the number one priority by those participating in the Phase 1 events was the call for the destination to create a strong marketing strategy that had the buy in of the whole sector. A strategy that articulates the full communications and promotional plan both external and internal is required. Such a strategy and plan to clearly confirm: destination identity; target markets; messages and tools to be employed alongside the actions required / product development to confirm the destination's identity and raise awareness in the markets of relevance;
- A clear plan with funding resources / revenue strategies in place to support activities needs to evolve. At the same time, a destination approach and confirmed message can be 'picked up on' and followed by all those operating in the area, and in each locale, in their own marketing activities. This will ensure the collective noise of individual business and community marketing is 'on message' and will add to the proactive push to raise awareness of the destination;
- It is strongly recommended by the consultants, to inform said marketing strategy, that early on consumer research external to the destination should be considered. This is research to assess the levels of awareness and perceptions external markets have of the CNS area. It will be important to confirm at an early future date what potential markets perceive the destination to be. For the purposes of this study a certain 'destination geography' has evolved ie CNS – however it is crucial to understand how the external markets perceive the destination and its geography which is strategically important going forward. As such some initial consumer research will be important to inform future actions including how the Destination positions and promotes itself.

Aligning Product / Services / Physical Development with the target markets of relevance is paramount and it is through the medium of detailed research and market study, etc that an informed Products and Services Development Strategy as a component of the proposed Destination Development Plan should evolve in future.

5.7 Market Intelligence – Monitoring, Evaluation & Ongoing Planning

At present the level of available data on the performance of the tourism sector in CNS is extremely limited. Much information on performance is anecdotal as the main market intelligence data available it that produced at the Highland Region level. This study, however, made attempts to plot the performance of the accommodation sector to provide a baseline for the study. However in future more up to date information is needed about sectoral performance to help monitor change, progress and growth in the sector. This has a two-fold purpose – one to plot that future activities and interventions are delivering positive change the other to provide information for operators / investors that can help ensure investment, marketing and promotion decisions and investment are made wisely against a backdrop of knowledge.

5.8 Conclusion

The above highlights the issues and recommendations emanating from the roadshow workshops facilitated by TRC and informed in turn by the consultancy's own knowledge of the tourism sector in the UK and beyond. Strategic responses and areas that require attention in the short, medium and longer term have now been brought together into the open and preliminary solutions highlighted in a Framework for Tourism Growth.

The next step in the process is the need for a leadership model to emerge and a clear plan to evolve that will provide guidance and a road map to solving all those 'destination' issues ie a Destination Development Plan. It is essential a Plan is created now with clearly defined targets, actions, and a spatial dimension that reflects local needs and opportunities. Time lines, roles and responsibilities for delivery also need to be highlighted and potential resource and funding sources identified.

6 CONSOLIDATED FRAMEWORK FOR GROWTH (ACTION PLAN)

6.1 Introduction

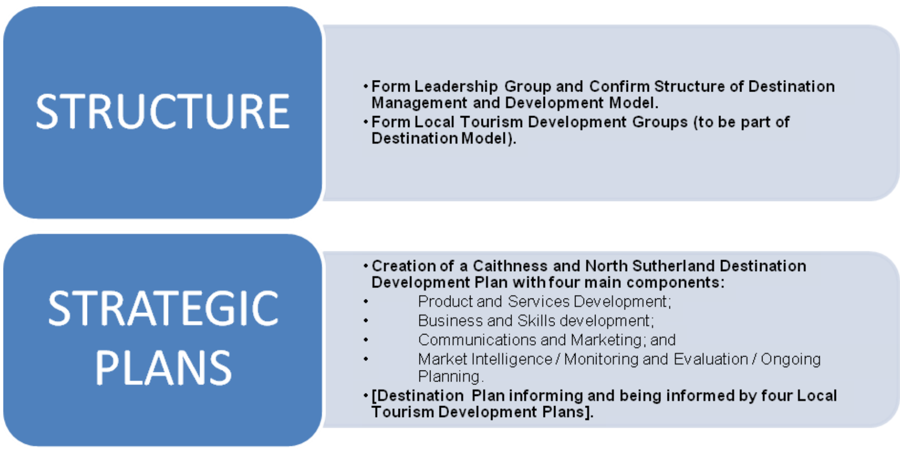
The preceding sections explored the areas requiring attention in order to ensure future growth of the destination and the CNS tourism sector. The conclusions reached suggest that taking the destination forward in a structured way will help unlock economic opportunities and advantage. Market opportunities have been discussed and product / services and business development issues highlighted. The clear need for a marketing and communications strategy to be evolved is also highlighted – one that will confirm markets, identity and position and provide a clear strategy to raise awareness. The key aspect currently missing is an appropriate, effective leadership 'vehicle' / partnership that will take forward, plan and implement all this work in a cohesive and structured manner.

6.2 Consolidated Framework for Growth (Action Plan)

The conclusions emanating from the Phase 1 workshops conducted and facilitated by TRC have been discussed previously. These findings, in turn, informed by the consultancy's own knowledge of the tourism sector were used to create a range of recommendations for the future of the CNS Destination. Issues, strategic responses and areas that require attention in the short, medium and longer term have been brought together and preliminary actions highlighted in a consolidated Framework for Tourism Growth.

The Framework for Tourism Growth is built around two key aspects as indicated earlier: Structure and Plans. The focus of the framework recommendations are:

FRAMEWORK FOR TOURISM GROWTH



It is clear that if progress is to be made, a less fragmented and haphazard approach to the destination's future needs to be taken. The first key step is the need for a leadership model and structure for the sector to be agreed.

Destination and Local Plans also need to be created, as a priority, with clearly defined targets, actions, timelines and a spatial dimension reflecting local needs and opportunities. Roles and responsibilities for delivery also need to be highlighted and potential resources identified to facilitate delivery. A clear plan evolving that will provide a road map for the future ie a CNS Destination Development Plan providing solutions to the issues identified. The CNS Destination Development Plan, the rallying point around which all can assemble and ensure that the public, private and 3rd sectors are all moving in the same direction and that pooled resources and activity will provide greater impact than the sum of the parts. The emergence of a Plan in the near future is crucial to ensure the current momentum and goodwill built up by Phase 1 of the ATCNS programme is harnessed. Early wins must now be demonstrated.

The current position is taken as at April 2011 and a development timeframe of five to 10 years is envisaged as that being needed to produce significant change. Destination positioning is not something that happens overnight but is achievable if differentiation and awareness can be created. It takes alignment of market and products, promotion, time and commitment to change perceptions and offerings. It is anticipated that real significant economic impact from change will be achieved over the longer timeframe particularly in the leisure sector of the tourism economy. That said the hoped for growth in 'renewables' taking over from the nuclear industry as the main driver of business tourism in the area is likely to follow similar time lines.

Moving the destination forward and setting targets for specific activities, by necessity, will involve prioritisation to meet the real world of time and resource availability. At present there is no leadership body in place so discussion of specific development projects and delivery milestones is somewhat premature.

It is envisaged that at this time, until a structure, leadership vehicle and Destination Development Plan and Local Tourism Plans are in place that HIE will continue to champion and lead in ensuring that the preliminary work involved in creating structure and plans is implemented. The tables overleaf present the key actions the study team recommend be progressed. These are presented under each of the key areas of activity previously discussed and initial time lines identified.

In the framework tables the key recommendations and actions are highlighted; suggested timeframes set to help focus and prioritise the activities that need to be progressed. The consultancy team have also made some indicative suggestions as to which agency or group might 'lead' a particular activity – working in tandem with others who will provide support in moving the task along. The lead will 'project manage' the activity, with the help from a range of supporters or indeed in certain aspects external specialist consultancy input.

The framework tables provided overleaf are presented as an Action Plan for the CNS Destination. In addition a table of activities is provided that outlines the parallel actions that need to be undertaken at the local levels in creating the four Local Tourism Development Plans for each of the community foci / sub-destinations.

CAITHNESS AND NORTH SUTHERLAND DESTINATION ACTION PLAN – (STRUCTURE AND MANAGEMENT)			
AIM / KEY RECOMMENDATION	**KEY ACTIONS**	**TIMEFRAME**	**LEAD / DELIVERY PARTNERS**
FORMATION OF A LEADERSHIP GROUP AND ORGANISATIONAL STRUCTURE FOR THE CNS TOURISM SECTOR.	Confirm Destination management structure going forward highlighting strategic roles and responsibilities is crucial. See relationship between Leadership and Local Tourism Development Groups. Invite to a facilitated workshop summit representatives from across the whole tourism sector / all those with a vested interest (public and private bodies) to discuss and evolve a model for a Destination Development / Management Organisation body to take forward the tourism sector in CNS (or the 'destination geography' as agreed).	Complete Immediately (ASAP).	HIE / Representatives of those participating in Phase 1 and others.
CREATION OF CONSOLIDATED 'DESTINATION DEVELOPMENT PLAN' FOR TOURISM IN CNS.	The CNS Destination Development Plan to incorporate separate Plans for: Product and Services Development; Business and Skills Development; Communications; and Monitoring and Evaluation. In each case highlighting timeframes, roles and responsibilities for delivery across all aspects of Destination Management. (See parallel Local Plans). Detailed product development proposals will be highlighted and plan would encapsulate recommendations for new accommodation models, attractions and physical facilities as deemed appropriate. Ensure link to evolving update to the National Tourism Framework for Change and Highland Area Tourism Plan. CNS Tourism Leadership Group to work with others and the various communities / Local Tourism Development Groups to create a detailed, consolidated Destination Development Plan covering all aspects. Plan informed by, and informing, Local Tourism Development Plans. (This process will involve a degree of managing aspirations and local ambitions into a sustainable area-wide Plan – Plan to build on the findings of Phase 1 work of the ATCNS programme).	Complete Medium Term (Oct 2011-Early 2012) .	CNS Tourism Leadership Group / Local Tourism Development Groups.

CAITHNESS AND NORTH SUTHERLAND DESTINATION ACTION PLAN – PRODUCT AND SERVICES DEVELOPMENT

KEY RECOMMENDATION	TIMEFRAME	LEAD / DELIVERY PARTNERS -
CREATE A PRODUCT AND SERVICES DEVELOPMENT PLAN Create a Plan that highlights physical development opportunities / needs across the geography of CNS for inclusion within consolidated Destination Development Plan. Build on the community consultation work of Phase 1 and marry future market opportunities to destination offering to ensure each locale / settlement focus evolves physical product / services that will help it retain and build new market share. The Plan should evolve under a spatial dimension and needs to appraise and prioritise development options. (Will inform and be informed by Local Tourism Plans – see later).	Complete Medium Term (Oct 2011-Early 2012)	CNS Tourism Leadership Group / Local Tourism Development Groups.

KEY ACTIONS

Action – Identify opportunities and plans for new accommodation, enhanced attractions and activities etc.

Action – Create an integrated Calendar of Events (enhancing existing portfolio with, where appropriate, new events) – Consider development of new events particularly out of the main season. Use events as a key component of the marketing and promotional strategy to help raise awareness and confirm identify / position. At the same time events used as a vehicle to extend the season and create appeal and new demand. See links between events and the creation of new and proposed new venues; and Destination Communications and Marketing Strategy.

Action – Lobby for progress in improvements to 'access'. See transport issues. In the first instance look for early wins re 'integration' and frequency of timetables (eg air connections) etc, progressing through to the 'bigger' issues re transport costs and wider access, etc.

Action – Build on local 'food opportunities' and provenance. Build on growing appeal of, and national focus, on Food Tourism – see links with marketing strategy and plan and sectoral initiatives, locally, Regionally and across Scotland.

Action – Ensure basic visitor infrastructure services are in line with expectations. For example toilets are a basic start but one where there is considerable degree of dissatisfaction within the tourism / wider community – see also visitor services information provision. (See inclusion of visitor information centres / points in future marketing and promotional strategy). Identify roles for sustainable community involvement in provision of such services.

<table>
<tr><th colspan="3">CAITHNESS AND NORTH SUTHERLAND DESTINATION ACTION PLAN –
BUSINESS AND SKILLS DEVELOPMENT</th></tr>
<tr><td><u>KEY RECOMMENDATION</u>

CREATE A CONSOLIDATED BUSINESS AND SKILLS DEVELOPMENT PLAN FOR INCLUSION IN DESTINATION PLAN.

A comprehensive plan for improving skills across the sector – at vocational, management and leadership levels. Revisit any existing strategy / plan and assess in detail current market needs and prepare solutions. (Update on a regular basis). Individual plans for vocational, leadership and management skills as below. Each community to also assess its own needs and plan.</td><td><u>TIMEFRAME</u>

Complete Medium Term (Oct 2011-Early 2012). Update on ongoing basis to reflect changing nature of workforce.</td><td><u>LEAD / DELIVERY PARTNERS</u>

CNS Tourism Leadership Group / Local Tourism Development Groups.</td></tr>
<tr><td colspan="3"><u>KEY ACTIONS</u>

Action – Create a Vocation Skills Plan (as a key component of above). Revisit existing programmes / plans and update in light of new focus and resources re ATCNS. Service skills, customer care and other vocational skills elements.

Action – Create a Leadership Skills Action Plan. Put Plan in place for dealing with issues surrounding leadership at business, community and sector level. (Programme of events, learning journeys, courses, etc – see new ways of planning and delivery of same eg St Andrews Skills Academy).

Action – Create a Plan for Business and Management Skills. Drive improvements in business best practice – individual business and wider sector monitoring; financial management; understanding investment appraisal; how to unlock opportunities, etc – See links to monitoring and evaluation framework recommendations.</td></tr>
</table>

CAITHNESS AND NORTH SUTHERLAND DESTINATION ACTION PLAN – COMMUNICATIONS / MARKETING AND PROMOTION		
KEY RECOMMENDATION **CREATE A DESTINATION 'CONSUMER' MARKETING AND COMMUNICATIONS STRATEGY** A consumer facing communications strategy. See identification of: target markets; marketing tools to be employed; roles responsibilities to implement same. Identification of resources and finance to be included in any plan. (Wider Visitor Information Services also to be included).	**TIMEFRAME** Complete Medium Term (Oct 2011-Early 2012)	**LEAD / DELIVERY PARTNERS** CNS Tourism Leadership Group / Local Tourism Development Groups.

KEY ACTIONS

Action – Create and execute a programme of consumer research. Conduct external, primary market research to establish market awareness and views of the destination. Also confirm what the market sees as the geography of the destination. Feed into creation of destination 'identity' and communication / marketing messages to confirm same and raise awareness – see Marketing Strategy.

Action – As part of the wider Destination Plan, create a Communications Strategy for the CNS tourism sector. Develop internal channels of communication across the sector ensuring dissemination of market intelligence / early wins etc and keeping passion, involvement and interest alive. (Networking, events, written communications, publications, etc including disseminating market intelligence).

Action – Packaging and Virtual Product Development. Explore and confirm 'new' ways of packaging area's existing assets as new products for the marketplace – See Events; Archaeology; Culture / Arts; Design / Applied Arts / Crafts / Study and Life Long Learning – packaged as 'products' for sale to attract new markets. Where appropriate within Communication and Marketing Strategy make use of Internet, Apps, etc.

<table>
<tr><th colspan="3">CAITHNESS AND NORTH SUTHERLAND DESTINATION ACTION PLAN –
MONITORING, EVALUATION AND ONGOING PLANNING</th></tr>
<tr><td><u>KEY RECOMMENDATION</u>

GATHER MARKET INTELLIGENCE / MONITOR IMPACT AND EVALUATE PERFORMANCE (MEASUREMENT AND REPORTING STRATEGY).</td><td><u>TIMEFRAME</u>

Complete
Medium Term
(Oct 2011-Early 2012)</td><td><u>LEAD / DELIVERY PARTNERS</u>

CNS Tourism Leadership Group / Local Tourism Development Groups.</td></tr>
<tr><td colspan="3"><u>KEY ACTIONS</u>

Action – Create a ‘framework’ to monitor change and impacts in the tourism sector. Put in place local and area-wide intelligence gathering models to collate trading and performance data across various products. Regularly track performance and impacts: eg tracking visitor numbers and profiles at attractions – sources of demand; in accommodation operations track room and bed occupancy levels and sources of demand re business / leisure tourism amongst other methods.

Action – Feed back and disseminate findings on general performances measured to others across CNS re benchmarking their own operations and to help inform business and investment decisions / attract inward investment. Calculation of economic impacts achieved against economic baseline included in this report also collated and communicated back to the sector helping confirm what interventions are proving successful and demonstrating wins.</td></tr>
</table>

CAITHNESS AND NORTH SUTHERLAND DESTINATION LOCAL ACTION PLANS*			
KEY RECOMMENDATION	**KEY ACTIONS**	**TIMEFRAME**	**LEAD / DELIVERY PARTNERS**
Each of the Four Community Foci to Form a Local Tourism Development Group. (Formation of Four Groups).	In line with structure models agreed for the CNS-wide tourism sector form four Local Tourism Development Groups to provide focus and oversee local level planning and activity in the tourism sector. Representation from the four Local Development Groups to sit on the CNS Leadership Group.	Complete Immediately	HIE / Leadership Group / Local Participants of Phase 1 and Others Locally.
Create Four Local Tourism Development Plans.	Each Local Group to draw up its own Local Tourism Development Plan for its area using same 'themes' as the CNS Destination Development Plan. The Groups to prepare a plan highlighting their aspirations and ambitions for their own tourism economy in light of the market opportunities available. If considered appropriate the Local Tourism Development Group can employ HIE / Scottish Enterprise's Tourism Destination Development Guide due out in Summer 2011 to ensure all aspects of destination development and management are covered by the Plan. Plan to reflect: Product and Services Development; Skills; Communications; and the important Monitoring and Evaluation needs at a local level. Plan to be informed by evolving CNS Destination priorities and Plan in turn informs same Destination Plan. Proposals for all aspects to evolve: retail; food and beverage; accommodation; attractions; activities and packaging. [The CNS Tourism Leadership Group will draw together all local plans and aspirations into a consolidated, prioritised area-wide Destination Development Plan for CNS. (In the final analysis there may be need for a certain rationalisation and prioritisation of local ambitions and plans to be undertaken to ensure a fit with the agreed CNS Destination Development Plan and priorities)].	Complete Medium Term (Oct 2011-Early 2012)	Local Tourism Development Groups.

*** ACTIONS THAT NEED TO BE UNDERTAKEN BY EACH OF THE LOCAL TOURISM DEVELOPMENT GROUPS IN PREPARING THEIR OWN LOCAL TOURISM PLANS. FOUR GROUPS / FOUR PLANS TO EVOLVE.**

7 THE CURRENT ECONOMIC IMPACT OF TOURISM IN THE AREA (A BASELINE)

7.1 Introduction

This chapter provides a baseline for the economic impact of tourism in the CNS area. It provides a baseline of economic activity generated by those staying overnight in the area - overnight tourism. (Day trips are not included in this analysis as there is insufficient data available at this time to calculate a value for day visitors. The consultants understand that in 2011 VisitScotland are commencing a study into Day Visit Tourism in Scotland. This can be used at the appropriate time in the future to put a value on the Day Trip sector of the local tourism economy). Overnight tourism is hosted by the commercial sector in a range of different accommodation types from hotels to self-catering but there is also an element of tourism ie those visiting friends and relatives (VFR) that sees overnight visitors residing with family and friends. When calculating the economic baseline it is essential to be able to capture both sectors / types of demand. We discuss below our analysis of the marketplace.

7.2 Commercial Market

7.2.1 Accommodation Audit

An audit of the accommodation stock within the area was undertaken to establish:

- the number of accommodation providers by type:
  - hotel;
  - guest house and B&B;
  - self-catering;
  - caravan and campsite; and
  - hostel;
- the number of rooms (pitches for caravan and campsite) and bed spaces;
- occupancy levels achieved; and
- type of customer / demand, split between:
  - leisure and business use;
  - origin of visitors (domestic vs overseas tourists).

The number of accommodation providers and bed spaces publically available was audited by TRC and gathered from websites, accommodation guides, etc. The demand data ie occupancy levels and customer type is not publicly available so a sample of accommodation providers were contacted by TRC across the area with requests for this data, to provide a sample. However, the level and quality of data received back from accommodation providers was mixed. In some cases the lack of quality data available indicated that this is an area that requires attention in the future if a robust update of this baseline is to be conducted. In order to ensure that 'local' differences in trading performance and market mix were captured data from the four settlement foci was assembled. The shortfalls mean that for some of the analysis the consultants have needed to use data collated by TNS Research for VisitScotland available at the Highland level – we have highlighted where this is the case. (Further details of the basis of calculation are provided in Appendix VII and VIII).

7.2.2 Tourist Bed Spaces in Commercial Operations

The number of available bed spaces within the area totals just over 4,000.

COMMERCIAL TOURIST BED SPACES	
Type	**Number**
Hotel	1,299
Guest House / B&B	751
Self-Catering	571
Caravan / Campsite	1,295
Hostel	123
Total	**4,039**

For the caravan / campsites we have assumed an average of 2.5 bed spaces per pitch. For self-catering we have assumed that the bed spaces are occupied at a rate of 75% of the total available (as there may be more bed spaces in a unit than are being used by those renting the property) and then applied unit occupancy to this availability (Highland level).

7.2.3 Room / Bed Space Occupancy

Where there was sufficient data from the local audit of demand carried out by TRC this has been used to calculate occupancy levels for different types of accommodation across the area. Where the data was insufficient we have used the Highland average from the VisitScotland factsheet for the Highlands[6].

OCCUPANCY SOURCE DATA	
Type	**Source**
Hotel *	Local Audit (TRC)
Guest House / B&B *	Local Audit (TRC)
Self-Catering	Local Audit (TRC)
Caravan / Campsite *	Local Audit (TRC)
Hostel	Highland Average (VisitScotland)

Note * The occupancy levels applied are those calculated from TRC's research. Occupancy levels (rooms / bed spaces sold) by type of accommodation across the four different geographic foci varied enormously. The reason for stay, business / leisure, also varied as did nationality patterns. In each case to inform the economic appraisal TRC calculated 'weighted' averages for each focus and across the wider area to ensure that the calculation of economic impact was as robust as possible.

The available bed nights, occupancy and number of bed spaces occupied are set out below. (See Appendices for local variations).

BED SPACE OCCUPANCY*			
	Bed Spaces Available	**Occupancy Rate**	**Bed Nights**
Hotel	474,135	47%	221,908
Guest House / B&B	249,881	43%	108,582
Self-Catering	199,655	28%	54,955
Caravan / Campsite	277,130	24%	66,511
Hostel	26,322	38%	9,923
Total	**1,227,123**	**38%**	**461,879**

* Weighted Regional Average

The total bed spaces available takes account of the times of the year that operators are open. The different 'weighted' occupancy rates by type of accommodation have been applied. The total number of commercial bed nights sold is estimated at 461,879.

[6] VisitScotland Tourism in the Highlands and Islands 2009

7.2.4 Occupancy by Type (Demand Market Mix – Reason for Visit)

The occupancy / bed sales was then split into leisure and business use, based on:

- **hotel and guest house / B&Bs:** the weighted average from the four local audits;
- **self-catering:** assumption of 95% leisure and 5% business use; and
- **caravan / campsite / hostel:** assumption of 100% leisure use.

BED SALES / DEMAND MIX		
	Leisure	**Business**
Hotel	143,596	78,312
Guest House / B&B	86,728	21,853
Self-Catering	52,207	2,748
Caravan / Campsite	66,511	
Hostel	9,923	
Total	**358,966**	**102,913**

The total number of leisure bed nights is estimated at 350,966 with business bed nights of 102,913.

7.2.5 Average Daily Expenditure

In assessing the level of economic activity generated by these bed night stays the average daily expenditure of visitors has been taken from the UKTS[7] and IPS[8] surveys. This provides average expenditure figures by overnight visitors for the Highland area split by leisure and business visitors.

Information provided by operators was insufficiently robust to split occupancy / bed sales by origin of visitor ie UK and overseas visitors to the local area. Therefore we have used weighted averages for daily expenditure levels in the Highlands.

AVERAGE DAILY EXPENDITURE	
Type	**Value**
Leisure Tourist	£50.89
Business Tourist	£89.46

[7] United Kingdom Tourism Survey
[8] International Passenger Survey

7.2.6 Commercial Expenditure

The total expenditure is then calculated on the basis of the number of bed nights multiplied by the average daily expenditure. This gives a total of £27.5 million.

TOTAL TOURIST EXPENDITURE IN COMMERCIAL OPERATIONS	
Type	**Expenditure**
Leisure	£18,268,155
Business	£9,206,158
Total	**£27,474,314**

7.3 Visiting Friends and Relatives (VFR) Market

7.3.1 VFR Ratio

VFR is also an important source of visitors for an area so it is necessary to take account of the expenditure from this source. This requires a different approach from that used for commercial tourist accommodation. It is difficult to define for an area all of the factors, and relative weighting, that influence the number of VFR visits. However, the population level is a key determinant. Therefore, the best approach is to apply a population to VFR visitor ratio. There is data available at the Highland level of the volume of visitors from the VFR market. If this is divided by the total population in the Highland area this gives a ratio of 7.5 VFR nights per head of population.

7.3.2 Population

The population for the CNS area has been estimated at 27,802 in 2009 (the latest year for which data is available). This was based on a 'best fit' approach by mapping data zones populations[9] to the boundary defined for the CNS area.

[9] General Register Office for Scotland

7.3.3 Number of Bed Nights

Applying the VFR ratio to the population level gives a total of 207,770 bed nights generated from the VFR market.

VFR BED NIGHTS	
Caithness and North Sutherland Population	27,802
VFR Factor	7.47
VFR Bed Nights	207,770

7.3.4 Average Daily Expenditure

The average daily expenditure for VFR visitors has been taken from the UKTS[10] and IPS[11] surveys. This provides average expenditure figures for the Highland area for UK and overseas visitors.

We do not have a split of generating source by origin ie UK and overseas visitors for the local area. Therefore we have used a weighted average for the daily expenditure level of VFR visitors which is £37.37.

7.3.5 VFR Expenditure

The total expenditure is then calculated on the basis of the number of bed nights multiplied by the average daily expenditure. This gives a total of £7,763,879.

VFR EXPENDITURE	
VFR Bed Nights	207,770
Average Daily Expenditure	£37.37
VFR Expenditure	£7,763,879

[10] United Kingdom Tourism Survey 2009
[11] International Passenger Survey 2009

7.4 Total Expenditure

The total direct expenditure from the overnight tourism sector in CNS is calculated as £35.2 million.

TOTAL EXPENDITURE	
Type	**Expenditure**
Leisure	£18,268,155
Business	£9,206,158
VFR	£7,763,879
Total	**£35,238,192**

This accounts for 6.2% of all overnight tourism expenditure in the Highlands.

7.5 Potential Expenditure Using TNS / VisitScotland Occupancy Survey Data for the Highlands

The consultants have also calculated, by way of an illustration, a hypothetical situation of what expenditure levels the CNS area would generate if the wider region's commercial tourism accommodation operators were trading and achieving levels of bed occupancy that reflected the Highlands-wide average (those taken from TNS / VisitScotland data).

BED SPACE OCCUPANCY IF ACHIEVING HIGHLANDS AVERAGE OCCUPANCY LEVELS			
	Bed Spaces Available	**Occupancy Rate**	**Bed Nights**
Hotel	474,135	57%	271,679
Guest House / B&B	249,881	47%	117,944
Self-Catering	199,655	44%	88,048
Caravan / Campsite	277,130	42%	116,672
Hostel	26,322	38%	9,923
Total	**1,227,123**	49%	**604,266**

Translating these bed sales into expenditure using the average overnight expenditure £53.73 from all types of tourists to the Highlands gives £32,467,257[12] for commercial bed nights. (Average achieved overnight expenditure by all tourist types in CNS is higher at £59.48 because of the much greater proportion of higher spending business tourist nights to the area. These are at 15% of the total compared to 6% at the Highland level. CNS dependent much more on business tourism than other parts of the Highlands).

If VFR expenditure of £7,763,879 (see previous calculations) is added to the figure of those staying in commercial accommodation this gives a total expenditure of £40,231,190. That compares with the level of £35,238,192 calculated from actual trading returns provided to TRC by operators.

7.6 Conclusion

The total direct expenditure from overnight tourism in CNS is estimated at £35.2 million from returns provided by operators to TRC. This accounts for 6.2% of overnight tourism expenditure in the Highlands. However, CNS accounts for 12.6% of the population in the Highlands so it appears the area is only achieving half of its share of tourism expenditure per head of population. (This can be attributed to a range of reasons – see earlier sections).

The above represents the current level of economic activity generated by tourism in the local economy.

At this time this study / report has made no attempt to identify a future growth target or the level of latent potential within the tourism economy if positive change were to be achieved. However, it is anticipated this would come through time and will be included in any future Destination Development Plan.

[12] Based on weighted average for leisure and business at the Highland level

8 CONCLUSION

The extensive findings of this study have influenced the outcomes and recommendations contained in the report. The report also includes a comprehensive audit of the existing destination offer in terms of product and services and identifies that overnight tourism (leisure and business tourists) generates £35.2 million for the local economy.

The ATCNS Phase 1 work identified a range of issues that need to be addressed if the area's tourism economy is to grow. A Framework of recommendations has been prepared and provides a number of actions designed to lead to positive change and foster growth. These have been built around the findings of an extensive programme of research and consultations. These consultations identifying that many 'ambitions' for the tourism sector in CNS existed but that there were a range of issues impacting negatively on the growth potential of the destination. These issues manifest themselves under the collective heading of Destination Management which involves structure of the sector and strategic plans for its future. These factors need to be addressed if growth and success are to be achieved.

The audit itself suggests some divergence in quality and range of offering from that sought by emerging markets and product trends taking place in the wider tourism sector, which if the situation continues, will curtail growth. This highlights a need for investment in product and quality eg new accommodation models – see John O'Groats. Other areas of the tourism economy also require attention including customer service quality and destination awareness.

An overview of the area's current tourism demand clearly indicates there is a strong business tourism demand concentrated in and around Thurso and Wick, both of which also benefit from leisure demand. However, across the rest of the study area's wider geography the leisure sector predominates but is extremely fragile and seasonal posing a major issue for the sustainability of many of the more rural businesses. This sees the need for new 'experiences' that can extend the season and disperse demand over a wider geography to be brought forward.

In the business tourism sector the anticipated and hoped for growth in the renewables sector will be an important factor in the future health of the local tourism economy. However operators servicing and relying on these markets must not remain complacent and quality must improve. Renewables potentially may bring both discretionary and non-discretionary business tourism demand into the area.

Development of the business tourism sector will also prove a chance for the destination to grow its overall tourism economy with potential spin-off leisure demand from the families and friends of those working in the area on contracts, etc. An improvement and growing provision of products to service this sector, if evolved, (accommodation, restaurants and bars, retail attractions, entertainment are reliant also on this sector for their sustainability) will add to the overall destination experience and quality for all visitors. This sustained / bettered offering, in turn potentially, improving local image and quality of life for residents and can also play a role in helping to attract inward investment into other sectors of the economy in what is a virtuous cycle of investment and quality improvements.

A number of specific, strategic issues need to be addressed if growth in the local tourism economy is to be achieved. These are discussed more fully in the main report and include:

- Product and service gaps that need to be filled;
- Duplication, overlap, parochialism and distrust resulting from poor coordination and communication within the sector;
- A lack of a comprehensive destination plan to guide and provide a clear road map for the future of the industry around which all can rally;
- Limited resources / dilution of existing resources and no cohesive plan for key elements of the destination's management and promotion; and
- In conclusion there is no 'structure' that offers direction and leadership that can help take the sector forward.

If growth is to be achieved two key recommendations must be taken forward as a matter of urgency. These are firstly: Creating a structure acceptable to all, for the tourism industry in CNS to provide leadership, communication and delivery models. Secondly there is an urgent need to prepare a comprehensive and cohesive Destination Development Plan for the area that is underpinned by Local Tourism Plans for the communities that make up the wider area.

The destination's market profile and penetration is also an issue of concern and needs to be incorporated into the Plans. The conclusion is that CNS needs to be more strongly positioned, with a clear identity backed up by well-resourced promotional effort linked to product development. In tandem with this and all the other recommendations are those for the sector's skills base both Vocational and Business Skills. These must evolve to help operators and the wider destination meet the challenges.

The wider recommendations emerging from the work are presented in the report as a consolidated development framework ie Action Plan which highlights a range of prioritised activities. These are presented at a CNS level and a generic model provided that will guide the future preparation of the Local Tourism Plans. The Framework for Tourism Growth / Action Plan highlights the main activities that now need to take place and the resources required.

In these times of constrained finances implementing any plans will take time and commitment and change cannot be expected overnight. Financial issues will affect the ability to deliver certain aspirations, specifically projects requiring capital investment in new products. [At some point in the future there may be the need for objective prioritisation to be employed to ensure that the Local Tourism Plans that evolve to reflect local ambitions, when transposed to the Destination level some form of reality check and prioritisation may need to take place to ensure a fit with CNS priorities and budget realities. This prioritisation can be undertaken by the CNS Tourism Leadership Group].

In parallel the commercial viability of individual physical projects will also need to be tested and confirmed at the appropriate time. This may need support, when appropriate either from other agencies eg HIE or external help and assistance eg specialist consultancy input if deemed appropriate. This may involve due diligence and financial appraisal of projects that come forward under the Destination or Local Plans including those being championed by operators and communities. (Viability of a project cannot be taken as read simply because an 'ambition' or gap in product exists. Financial appraisals need to be conducted at the appropriate time).

Resourcing of change will be challenging, however the study area has the benefit of access to funding sources to which other parts of the Highlands do not. It is therefore important that a viable and sustainable Destination Development Plan is identified and key projects adopted and approved early on so that funding can be targeted – projects can then be driven forward to help achieve early wins, maintain momentum and start to produce growth.