



# Understanding the Visitor Economy

Phil Reddy  
Tourism Strategy Manager  
Northwest Regional Development Agency  
2006

---

## Summary

In this report, Phil Reddy, the Tourism Strategy Manager for the Northwest Development Agency reflects on the meaning of the term 'Visitor Economy', a term that is increasingly being used as a replacement for 'Tourism'.

This report builds on the experience gained in the Northwest and draws on the debate amongst academic researchers, regional tourism and visitor economy leaders and officers and cultural sector research specialists which took place at:

*'Convergence: culture, knowledge and the visitor economy in the North West'* – a joint think tank event between the Culture Observatory Intelligence Network, North West Universities Association and Northwest Regional Development Agency on 26<sup>th</sup> January 2006, Lancaster University.

This report suggests that these two terms mean different but complementary things, and puts forward a working definition of the visitor economy. It emphasises the importance of those managing destinations having a really good understanding of their visitors if they are to meet expectations. Knowing your customers enables you to design products, services and experiences that they will value, and therefore pay for. The idea that we have the ability to design destinations in a conscious way to meet visitors' expectations is not a novel one, but it is not an idea, or a capacity, that is widely acknowledged or used at the level of a destination. The implications of this bear particularly on tourist boards, but also on local authorities; from being more concerned with promotion (their traditional territory), tourist boards become much more focused on strategic issues of product development. In turn, this new paradigm requires a very different set of skills to those they traditionally possess. The report concludes by emphasising that the many different actors involved in the visitor economy need to work together to achieve the goal that the Regional Development Agency is pursuing; of raising the gross value added that this sector of the economy generates.

## Introduction

The tourism strategy for the northwest of England is based on a vision of the region becoming the best destination for visitors in the country. Quite what being best means is not spelt out, but it is clear that the quality of the experience that the region's destinations offer to their visitors is a critical factor in making them and the region, the best. Visitors' experiences of any trip start well before the journey and cover many different elements, with many different contributors. Many of those who contribute to the quality of the experience will not regard themselves as being in the tourism sector, and much of what visitors experience is also open to a wider public. Having a clear understanding of what we mean by the visitor economy and the roles of the different organisations in supporting this, will help everyone to deliver the quality of experience we aim to provide. Just like a good private sector, customer focused business, destinations need to design and plan their visitor focused offer with a strong sense of purpose, and with a clear idea of the visitors they seek.

## Understanding the Visitor Economy

The term Visitor Economy is increasingly being used by those involved in developing tourism, and in the marketing of Britain and England as tourism destinations. There is an immediate appeal to the term; the word 'visitor' is a simpler and more inclusive one than either tourism or tourist, while the reference to economy focuses attention on the importance and perhaps seriousness of what is referred to. But to what extent is the term Visitor Economy synonymous with that of Tourism?

Do we need both terms if they are the same? If they mean different things, then how do they differ?

Tourism is defined by the UN World Tourism Organisation, but who is responsible for defining Visitor Economy?

The UN World Tourism Organisation definition reads:

*Tourism comprises the activities of persons travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes not related to the exercise of an activity remunerated from within the place visited.*

The decision on whether an individual is, or is not a tourist can be a complex and difficult one to make, though this is by no means always the case. In general, we all recognise that overnight visitors are tourists, and we know that many overnight visitors, particularly in our cities, are business visitors, without knowing enough about them, as distinct from leisure visitors. The real difficulty is in deciding if day visitors are tourists or not. Many day visitors can be properly classified as tourist, but the survey data we have is weak; there is an urgent need for improvement here.

The definition of tourism, and therefore of tourists, matters because without it, there is no possibility of being able to count the money they spend. Tourist expenditure is money spent by, or on behalf of, the tourist before, during and after a tourist trip. Yet tourism is of interest to the Northwest Development Agency, to Local Authorities and to the Government principally because of its economic value; it generates GVA, it provides employment and supports businesses that are important to resident communities, it produces tax revenues, and it has a significant impact on the balance of payments. Given the role of airplanes in global warming and the large numbers of UK residents that fly out of the UK, tourism is increasingly significant in this context too.

All tourists are visitors, but not all visitors are tourists. Current usage is to regard Visitor Economy as synonymous with Tourism, but do we need two terms that mean the same thing? Does using a different term with the same meaning as the one it replaces, help in terms of our policies and actions? Despite its increasingly wide use, the term visitor economy does not have an accepted definition. But if it were to be given a distinct meaning, could we use the term Visitor Economy to broaden our thinking, and to help clarify understanding?

Tourism is well enough defined, and given its international definition, it is not within the power of regional or national organisations alone to change that definition, though there is a degree of choice available when it comes to the interpretation, particularly with respect to day visitors. Tourism is an economic activity that the Northwest recognises as important. It is the Northwest Development Agencies job to create the conditions that support the growth of that economic activity; that can mean more people, it certainly means more expenditure.

Tourism is an economic activity; it describes tangible, quantifiable, transactional events, but a successful tourism sector depends upon much that is intangible and qualitative in nature. Tourism depends on the qualities of place in particular. Clearly, no matter how good an individual tourism business, it will not thrive as well in a place that is of lower quality, as it would in the best. The opportunities to both attract more customers, and to add value, and therefore generate higher spending, are both dependant on the quality of the broader environment.

## The Concept of the Visitor Economy

The Concept of the Visitor Economy, as defined in this report, recognises the importance of the more qualitative factors and of the wider set of individuals and organisations, to the success of the destination. At the core of the concept of the visitor economy is the economic activity of

visitors, but its meaning is broader than this, embracing all of the elements that make for a successful visitor destination, it covers:

- All of the things that attract visitors; this means the diverse range of destinations of the region, the natural environment, the heritage and culture, iconic buildings, the retail, sport, leisure and cultural facilities, food, gardens, the events, the scenery; all the things that make the place special, distinctive and capable of engendering pride and interest and a place worth experiencing.
- The infrastructure that helps to reinforce and shape the sense of place and make it an easy place to visit; the signs, the transport, parking and orientation, interpretation, public space, amenities, etc.
- The services that cater for the needs of visitors (and of residents), that create economic and social activity and increase spending; including the hotels and bars, pubs and restaurants, galleries, the everyday events and the day-to-day services that make the place clean, safe and welcoming.

To create a successful visitor economy, it is necessary to manage all of the components in an integrated and long-term way, with a clear focus on the needs of the visitors the destination is seeking to attract. That focus should be summarised in a destination brand, which should capture and summarise all of the experiences within the destination and presents these to the market in a way that influences perceptions and expectations, and persuades people that they are worth trying. A successful brand gives shape and voice to ambition, improves perceptions and, importantly, promises what can be delivered.

## Tourism versus Visitor Economy

The important distinction here is between the person-centred concept of a 'tourist', which is defined so as to allow the measurement of the economic activity of that person, and the place-centred concept of the 'visitor economy', which is concerned with the whole environment within which tourists, and other visitors, act. To use a simple analogy, the visitor economy refers to the coral reef, while tourism refers to a specific group of fish that visit the reef. The value of thinking about the visitor economy is that it legitimises, and gives coherence to, a policy interest in all of the areas identified above: the things that attract visitors; the infrastructure that supports their visit, and; the services provided to them.

In thinking about the Visitor Economy, the starting point should be the quality of experience that we provide, but the scope of our interest is not limited by the need to define who is or is not a tourist at any point in time; it therefore embraces both tourists and non-tourists. The quality of the visitor economy matters to tourism and to tourists, as well as to visitors more generally. It also matters to the wider economic and social success of the destination and the region. High quality places help to attract and retain higher level, more economically productive businesses and workers, as well as being attractive to visitors.

## Understanding our Visitors

From the point of view of the Northwest Development Agency, it is the economic value of visitors and the visitor economy that is of interest. The goal is to be the best visitor destination, but the reason for this is to generate wealth. Simply providing attractive environments or experiences is not enough if there is no economic value generated. We want visitors who will spend money. We need a good understanding of our visitors and potential visitors; the better we understand this, the better will be our ability to design experiences that succeed in attracting the visitors we want. In particular, we need to understand how we can increase the likelihood of visitors spending money willingly, which means providing them with experiences they enjoy and value. None of this is new or surprising; good, customer-focused companies in the private sector understand this well and act accordingly and the competitive pressures between companies drive innovation and growth. To an extent, the same pressures also apply in the visitor economy; particularly when it comes to

the major hotel chains that clearly compete with each other. It happens to a lesser extent in other parts of the visitor economy, and, I would suggest, almost not at all when it comes to the level of destinations.

One way of increasing our understanding of visitors is by grouping similar people together; clearly not all visitors are the same, so it makes sense to look for common characteristics between different groups. Segmenting the UK visitor population into distinct groups that share important characteristics helps us to increase our understanding of them. There are many ways of doing this; age, sex, social class, and post code are all obvious. We also segment people on the basis of what they have done in the past. The purpose of doing this is less about promotion, than about taking control of our visitor economy by actively shaping this to suit the visitors we want.

VisitBritain has decided to use the Ark Leisure segmentation model, a values based model, which recognises that many different criteria determine customer behaviour, and which seeks to identify the issues that matter most. These multi-dimensional criteria encompass attitudes, beliefs and values; they are used by the model to group consumers into eight main segments. By getting a better understanding of these criteria and the way different consumer segments operate, VisitBritain is starting to build up deeper insights into what really underpins customer decisions and actions.

The NWDA has recently commissioned research into the day visitor behaviour of people in the region, using the same segmentation model. The insights gained from this, the work of VisitBritain, and other work can help us to shape our places, so that they are more likely to succeed in generating and sustaining growth. The goal is growth in value rather than volume; a better understanding of consumer behaviour helps us to focus on growing value. Using these and other insights should enable us to take control of our future with more confidence, helping us to design and create destinations that will offer the experiences that visitors of the future will want.

VisitScotland's recently published strategy for tourism estimates that gross tourism revenues could increase by 50% by 2015. They believe that this is likely to be driven by an increase in visitor numbers of perhaps 20% by 2015, with the rest of the growth coming from increased spend per head as they get better at offering a wider variety of experiences and products to meet visitors' expectations. They point out that visitors to Austria now, spend half as much again per head as they do in Scotland.

## The Implications for Local Authorities, Tourist Boards and Others

The Lyons Inquiry into Local Government emphasises the strategic role of local government in "place-shaping". This encompasses, among other things: building and shaping local identity and; working to make the local economy more successful, to support the creation of new businesses and jobs in the area, including through making the area attractive to new investment and skilled workers, and helping to manage economic change. Lyons suggests that there are a range of actions which councils need to undertake to engage successfully in place-shaping, including: good leadership; building coalitions and consensus about the direction of travel with other agencies and the private sector; effective public and community engagement, and; effective use of legislative powers.

Local Authorities have vital place-shaping roles, and need to carry out these roles using the best advice and information and with a clear strategic focus. The role of Local Authorities is less about attracting visitors, and more about shaping places that will meet or exceed their expectations, working with Tourist Boards and with other stakeholders in the visitor economy. The management of the visitor economy should become a core, mainstream interest for local authorities within the broader context of place-shaping; this is in contrast to the far more common approach that sees tourism as peripheral activity, with a focus on promotion and on the provision of information.

In this context, tourist boards provide expertise in destination development and act as agents of the NWDA in delivering the objectives of the Regional Economic Strategy and the Regional Tourism Strategy. The role of tourist boards is to work with local authorities, to provide advice and expertise, to shape and deliver the brand, and to deliver the right groups of visitors through appropriate promotional activity. In addition, tourist boards continue to have a role as a key interface with tourism sector businesses, especially those within the accommodation sub-sector, and as a provider of channels to market for businesses. These are roles they are familiar with and carry out well.

For both local authorities and tourist boards, the strategic visitor economy roles described involve a new approach, and new skills, with a focus on leading the process of change, and working with others to develop, and help deliver shared visions of the future. The Destination Management Planning process now being used in the Northwest is intended to support the achievement of this.

## Conclusion

Tourism is a necessary and valuable concept, but it is not sufficient to encompass the broader space about which we need to think and in which we need to act if we are to succeed in our ambition to be the best destination in the country. The visitor economy can be used to describe the space in which we need to operate. Mapping and understanding the visitor economy will help to identify who owns the different elements within that space; show how the different elements interact, and; define directions of travel and responsibilities for action. Such mapping, and the partnerships that arise from this, are essential to the success we seek.

Tourist Boards and Local Authorities need to work together, and with other stakeholders in the visitor economy, to develop achievable visions for the future that are consistent with both the Regional Economic Strategy and with the Regional Tourism Strategy.

The NWDA has a strategic role, expressed through the strategies it helps to create, through its role in shaping regional and sub-regional structures, and through the investments it makes. Local authorities are vital place-shapers. Tourist boards are experts in destination management. The cultural communities are owners of, and key contributors to the visitor economy. And of course, the private sector is essential.

The new tourism and economic structures in the region support and strengthen our ability to think strategically, to set clear goals, and to act within a shared framework. Doing this with a clear sense of what we mean by the visitor economy, and of its wider importance, will mean we have the best chance of creating the economic success we all seek.

--- End ---