



**Growing the Visitor Economy
through Innovation**

VisitEngland

**York, North Yorkshire and East Riding
Local Enterprise Partnership**

Introduction

The Strategic Framework for Tourism in England describes the sector as “...energetic and entrepreneurial...” with a “fertile ground” for those willing to innovate, invest and strive to maximise the growth potential of the £97bn visitor economy. Innovation, often used in economic parlance, is increasingly applied to tourism; but is it clearly understood? It appears in strategies, funding applications and business reports to suggest dynamic, pioneering or ground-breaking initiatives, but how do we recognise it and capitalise upon it, in order to create jobs and increase wealth.

VisitEngland (VE) and the **York, North Yorkshire and East Riding Local Enterprise Partnership (YNYER LEP)** have agreed to work together on a project that aims to widen the understanding of innovation in tourism and to stimulate growth through the lessons which can be shared. This project is designed to deliver action locally that can be shared across England; increasing competitiveness and profitability of businesses in the sector.

Stage one of the project was a Think Tank. A selection of local and national entrepreneurs met to discuss their experience of innovation and the objectives of the project. This report is stage two; sharing the outcomes from the Think Tank and widening the discussion on innovation to inform the next steps. This is a discussion paper and not a guide for businesses or policy makers.

The audience for this paper is not just the traditional tourism sector but also those who are part of the wider visitor economy. This includes those in the supply chain (suppliers, intermediaries or tour operators); those influenced by the visitor economy (e.g. retail) or those who provide a service to the sector (e.g. the technology sector).

The purpose of this paper is to: -

- generate thoughts, opinions and examples from within the sector and from those sectors who interact with it
- consider innovative businesses practices in the sector
- generate ideas about: -
 - how the public sector can facilitate or assist businesses to be more innovative; and,
 - how businesses can support each other
- consider what can be learnt from successful innovations in sectors

To stimulate the discussion questions are highlighted throughout this document. The responses to these questions can be submitted directly to the authors or posted to the Linked-In group developed to share thoughts. It is hoped that by using social media we can create a dialogue with wide ranging partners and capture reflections from all involved. This is a two way process involving all of the visitor economy and sectors that are mutually supportive.

All the responses to this discussion will be captured and shared at the Visitor Economy Conference in December 2013. Following on from this we hope the project will have helped develop a greater

understanding of innovation and that a number of work streams can be identified to stimulate greater innovation for the visitor economy in England.

The visitor economy: A sector with innovative spirit!

England's visitor economy is worth £97billion and has the potential to grow an additional £50billion by 2020. There are over 2million people employed in the sector and over 200,000 businesses, most of which are micro, small or medium sized enterprises.

It is a sector that is versatile with multiple facets; much more than the traditional understanding of tourism (accommodation, hospitality and attractions). The visitor economy encompasses the whole supply chain that influences and impacts upon a visitors experience to, from or in a destination. This experience is not just leisure it may be business or visiting friends or relatives. It can take place as an overnight trip or as a day visit.

Many industries support and influence the complex business supply chain, making it a sector that has great depth and diversity that can be difficult to comprehend in its totality. Laundry services, retail, fuel and energy, Information/ Communication Technology (ICT) and professional services all play a role in the visitor economy.

Much of the sector is intangible and not defined in the same way as the tangible goods produced by manufacturing. The visitor economy, however, has the ability to respond quickly to market conditions and with this it can create employment opportunities that stimulate economic growth.

The visitor economy facilitates and encourages entrepreneurship due to its relative ease of entry through factors such as low set up costs¹. It is also suggested that the "life style business component" in the sector can limit entrepreneurial ambition and that this is a contributing factor for why so many of the businesses, that are highly responsive to market opportunities, are owned by individuals new to the sector.

For discussion

- ? Is it easier for entrepreneurs new to the sector to innovate than for businesses already operating to innovate?
- ? What about those already operating in the sector; what is needed to emphasise the opportunities for them?

What do we mean by innovation in the visitor economy?

Innovation is defined in different ways across the globe and understanding of the term is, in many cases, context, sector or spatially specific. In England, the Department for Business, Innovation and

¹ Deloitte & Oxford Economics (2010) The Economic Contribution of the Visitor Economy: UK and the nations. Deloitte, London.

Skills (DBIS) define innovation as “...the process by which new ideas are successfully exploited to create economic, social and environmental value”.

Over the past decade the visitor economy has been surrounded by new product offers and new services to encourage consumers to travel and spend money. *Glamping, eco-chic hotels, gastro-pubs, fusion* restaurants or electric bike (and car) breaks are just some of the new product types seen in the visitor economy. However, the most transformational changes have been with service provision, mainly based around technological solutions, for example online booking engines; dynamic bundling of products and the provision of visitor information that is geo-specific.

Customer service examples are harder to identify but they are present. From the re-engineering of old models for new customer needs, such as The Savoy’s “Green Butlers” or self-catering accommodation provider Hoe Grange Holidays catering for the accessible market; through to adoptions of other sector’s innovations such as on-line local produce/ grocery deliveries offered by self-catering operators.

Many of the key innovations may be as a result of trying to utilise spare capacity within the visitor economy e.g. day visitors in to overnight stays or getting business visitors to engage in leisure activities. An example might be a café that converts into a music venue in the evening?

Innovation is said to drive growth in the economy but many of the examples seen in the visitor economy could be argued as businesses diversifying to address the needs of a static market, in other words maintaining business levels rather than growing in real terms. Is it possible to define innovation separately from invention, or diversification from modernisation?

Academics argue that innovation differs from invention. Invention is the creation of an idea itself, whereas innovation is the use of a better idea or method.

Innovation itself can take many forms but it is important to note that it does not have to be transformational or ground breaking; Incremental change or the constant improvement of a service or product is also innovation. It is, however, disruptive or radical innovation that can really make a difference in terms of growth or societal change. Consider the impact Apple has had on mobile telephony or the open access to the GPS network.

Much has been written (outside of tourism) on the different approaches and types of innovation. We have not sought to provide a definitive model (or an amalgamation of existing models) for application in the sector but for illustrative purposes we have used the OECD² approach for its clarity.

Type	Explanation
Product	The introduction of goods or services that is new or significantly improved with respect to its characteristics or intended uses.

² Organisation for Economic Co-operation and Development – a policy forum aimed to promote policies that will improve the economic and social well-being of people around the world

Type	Explanation
Process	The implementation of a new or significantly improved <i>production or delivery</i> method. This includes significant changes in techniques, equipment and/or software. <i>The OECD note that it is difficult to note the difference between new product and new process in the service sector. Process innovation is likely to be more incremental and less visible to the customer (skills, methods or equipment).</i>
Marketing	The implementation of a new marketing method involving significant changes in product design or packaging, product placement, product promotion or pricing.
Organisational	The implementation of a new organisational method in the firm's business practices, workplace organisation or external relations

For discussion

- ? What examples of innovation in tourism fall in to the above categories?
- ? What examples are there of innovation in tourism creating real growth (with what evidence)?

Why do those in the visitor economy need to think about their approach to innovation?

Innovation is what can determine the future performance of a business and not necessarily its level of productivity³. They propose that apart from some significant changes that have occurred from within other sectors (with transformational impact in tourism e.g. transport and ICT) the sector itself has not made the process of innovation a routine matter.

There is the common saying “innovate or die”, which implies businesses should be constantly trying to improve their offer. Conversely there is also an opinion that if innovation is not managed, the opposite can be true – “innovate and die”. How is innovation managed and what can businesses do to achieve the balance between operational activities and the need to reflect on improvements to the service/product offered.

There is a suggestion that it is difficult to protect innovation in the visitor economy from imitation by competitors; as such this can be a deterrent from innovation taking place. In effect once an innovation has been adopted by others, it becomes the norm and no longer different. As a result organisations who want to stay ahead of the competition will need to continually be innovating.

In recent times, the focus for the majority of the visitor economy, mainly consisting of small businesses, has been on survival, ensuring failure and decline in trade is managed effectively. If the DTI's (2006)

³ OECD (2012) Green Innovation in Tourism Services. OECD, France

proposition that it is towards the end of recession that most small businesses are at risk of failure, now is the time to act to minimise any negative impact. Businesses need to be aware of external influences to survive; innovation is an important part of adapting to the pressures on a business and to reflect current market needs⁴.

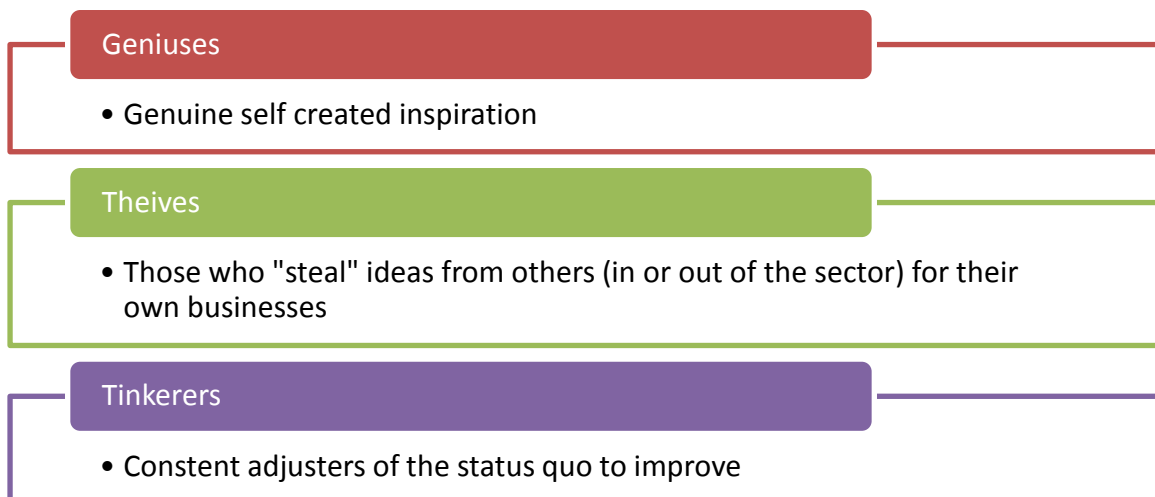
What if businesses in the sector made the process of innovation more routine or were quick to respond to the externalities or opportunities presented to them. For example, if the opportunities for online booking or search engine optimisation were understood more quickly would the sector need or want corporate wholesalers or booking consolidators in the same way as they do now?

For discussion

- ? What is the next trend or technological advance for the visitor economy?
- ? How can businesses respond to these trends in order to take advantage or will they be too slow to benefit and if so why?
- ? What organisations in tourism have an innovative approach to business and what separates them from the non-innovators?

Where does innovation come from?

Innovation can come from different places at different times. It has been suggested that innovation is as much about personality as it is about skills that can be taught. The following model of archetypes has been developed by the Leadership Agency to think about the personality traits shown by innovators.



This model suggests that people fall into one of these categories but the reality is that innovators may fall into multiple archetypes at different times. All of us can have moments of genius that come from a spark of inspiration or insight and not necessarily because we are an inventor. Genius can come from listening to our customers or from reacting to a frustration in business. It is also clear that many of us

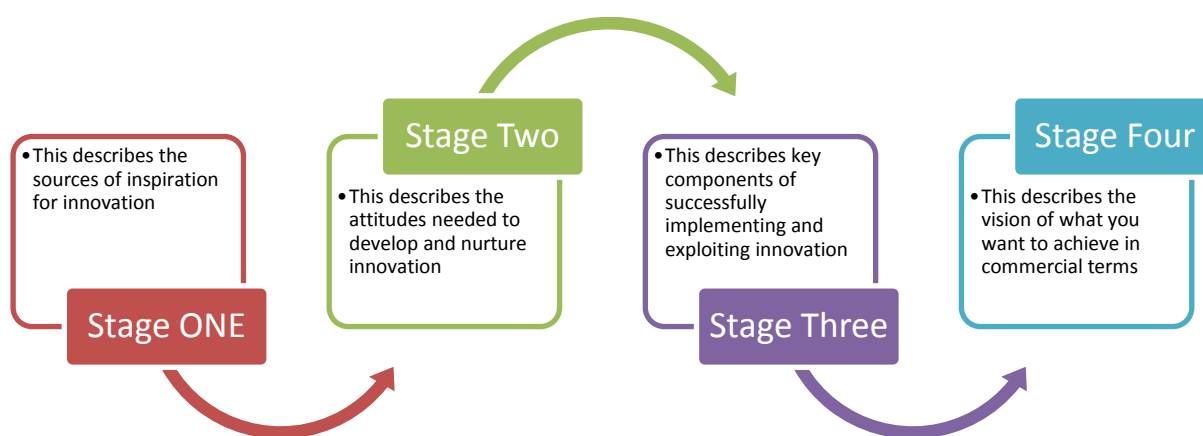
⁴ Deloitte & Oxford Economics (2010) The Economic Contribution of the Visitor Economy: UK and the nations. Deloitte, London.

are inspired by other people, using their ideas to develop your business or product more effectively. Taking good ideas and developing them (from another sector) is an approach that many of us take in our working lives.

This leads us to draw conclusions that innovation is a journey rather than a specific action or point in time. This journey has been developed into a conceptual model used to describe how innovation can happen.

Innovation: A Four Part Model

Like a journey, innovation has distinct stages. This is illustrated below. Principles to explain how innovation develops through each stage are explained in more detail within appendix two.



If innovation is so important, why is the sector not innovating more?

It is clear that failing to take innovative approaches in business, even incremental change, can lead to limited growth or even failure. To help the sector understand how to use innovation more proactively we need to explore the potential barriers to innovative approaches.

Barrier	Explanation
Nature of businesses in the sector	<p>Many micro, small and medium size businesses in the sector have constraints:</p> <p>“Lifestyle businesses” may not be dynamic businesses who want to grow, which can also cause businesses to be risk averse. It is an attitudinal feature of these businesses that they simply do not want to change or see the need for it.</p> <p>Owner managed businesses are very prevalent in the sector. Businesses also falling into this category may be slower to respond due to being limited with their time.</p>

Barrier	Explanation
	<p>Small businesses who rely on the owner to deliver change may suffer from a lack the confidence to change to market demands.</p> <p>Flexibility or capacity to change can be difficult for SMEs.</p>
Lack of expertise / Failure to recognise threats and opportunities/ poor understanding of the market	<p>Understanding of and access to marketing intelligence, consumer research, marketing knowledge or business management have been identified as issues for the sector that will prohibit innovation. Research can often be limited (i.e. not specific enough) or prohibitive (due to cost).</p>
Fragmented sector	<p>Poor engagement by tourism businesses in traditional business networks (Chambers of Commerce, business clubs, etc.) may result in limited access to expertise or information required to develop – in particular from outside the sector. It is often through these networks that ideas are generated.</p>
Access to/ lack of finance	<p>SMEs may not be cash rich and have limited access to capital in order to invest for incremental or significant change.</p> <p>Understanding where and how to access finance requires both time and expertise (to understand funds and to write applications/ business cases). SMEs can suffer from a lack of both.</p> <p>Additionally the lack of turnover/ cash to match against public sector funding requirements can prevent access to funding pots.</p> <p>There may be a lack of venture capital funds and angel investors in tourism.</p>
Poor access to technology infrastructure	<p>In particular in rural areas where broadband and mobile technology is not available.</p>

For discussion

- ? What are the characteristics of a business that allows it to innovate?
- ? What are the other barriers to businesses innovating in the visitor economy (other than those noted above)?

So what opportunities exist for innovating more in the visitor economy?

It is clear from the evidence we have seen that a number of opportunities exist for the visitor economy to grow through greater innovation. For example, digital technology clearly can bring better ways to engage with potential visitors, share information with customers, make sales more efficient and

effective as well as drive the creation of new products. There are other macro trends outside of tourism that are impacting – the changes in the nature of demand related to age, income, culture, family, employment patterns and individualisation. How these can be capitalised upon to make a difference in the sector remains a challenge.

Other trends, such as personalisation, can clearly drive sales in other sectors where uniformity has ruled for so long; but in the visitor economy personalising service to the needs of customers has been undertaken for many years but it could be taken further and utilised to create real growth in business.

VisitEngland has commissioned futures consultancy Trajectory to carry out a project with the objective of understanding the key issues driving the medium to long term future of domestic leisure tourism and the implications of these for businesses and destinations. This discussion paper and the feedback we receive may contribute to the futures project. Findings from this project will be available winter 2013

For discussion

- ? There are a few macro trends in tourism identified above, what others are important for the development of tourism in England and may impact on innovation?
- ? How can we interpret those into making real growth in the visitor economy?
- ? How can personalisation be further utilised to create real growth in the visitor economy

What interventions might encourage more innovation in the visitor economy

In other sectors, such as manufacturing, various interventions are common. These include the following:

Research (& Development)

Often grouped together as R&D but they are complementary activities that are very different. Research is the production and provision of materials or sources of information that establish facts or reach conclusions in specific areas. Development is the application of information to produce a desired or saleable outcome. The DTI (2006) report on innovation suggests that the public sector tends to focus on research and the private sector development side of the equation.

The provision of research and making it accessible in terms of language, cost and availability is an important intervention to stimulate innovation.

For discussion

In tourism there is extensive research available with much of it focused on sector performance and market research. At a national level this is broad and holistic in its nature; regionally and locally investment into research has been dramatically reduced in recent times.

- Is this sufficient for businesses to understand market demands and innovate?
- How can data available at a national level be more accessible and useful for businesses in local areas?

Networks

Business networks are a useful source of ideas, support, encouragement and potential investors. These can be either formal (e.g. chambers of commerce/ trade associations) or informal, sector or geography (e.g. county) focused; physical or technological based (e.g. linked-in).

In tourism, destination organisations have been the most popular type of network but these vary in focus and purpose for engaging businesses. A number of destination organisations have excelled in encouraging business development and connecting businesses to others in a supply chain or geography in order to facilitate growth. In recent times many organisations have altered their focus as a result of the economic challenges, reduced public sector support and a perception that promotional activity will deliver quick wins for economic growth.

Businesses in the visitor economy have not traditionally engaged in wider economic sector networks that are designed to support multiple sectors. Whilst sector specific groups are prevalent (e.g. hotel or attraction associations) the benefit of networking beyond tourism businesses is often lost. The nature of the businesses in the sector and relevance of content delivered to network members have been suggested as to why tourism SMEs do not engage regularly.

For discussion

- What types of networks facilitate innovation? Do business clusters (sector or geographic) work?
- Why aren't tourism businesses engaged in networks that support other sectors?
- Are there examples of networks that have successfully engaged businesses in the visitor economy as well as other sector businesses?
- What is the role of the public sector and destination organisations to support innovation in tourism? Does this role differ at national and local levels?

Mentoring

This is the provision of support and encouragement through the sharing of knowledge, skills and experience; normally from an individual or group of individuals who are well respected in their field of expertise. Mentor programmes come in various different formats and have had varying degrees of success. They rely on a level of commitment from both mentee and mentor along with a degree of empathy to support the development of innovation. The benefits from mentoring are wide including having an external perspective of business ideas and someone to challenge concepts that require a different perspective to be successful.

For discussion

Examples of mentoring in the visitor economy are limited

- Are there examples of good mentoring programmes in the visitor economy that have generated business growth?
- Will the introduction of mentors from other service sectors be of use to visitor economy businesses?

Universities and knowledge transfer partnerships

Universities and further education establishments are good sources of specific and detailed knowledge. Many of which are seeking to breach the gap between academic research and practical, business orientated application. In other sectors this has resulted in business incubators or the development of knowledge transfer partnerships.

For discussion

The most recent examples of higher learning establishments and the visitor economy joining together has been seen in Bournemouth, where the university, local authority and DMO have jointly developed a tourism academy. This is specifically focused on the improvement of skills and sharing of knowledge for tourism businesses in coastal resorts.

- What other examples of knowledge transfer exist between SMEs and universities?
- How can these relationships be developed for practical sharing of knowledge.

A framework for support

In order to develop this project to tangible actions, the different stages of innovation have been considered alongside intervention approaches. These are identified in the table below. Please note these are actions designed to stimulate and facilitate businesses to innovate for themselves, building capacity in local tourism businesses.

Stage Of Innovation Model	Need	Potential activities/ actions
1.Sources of Inspiration	How do we stimulate businesses to be inspired to innovate?	<p>Dramatically increase business opportunities and training for listening and testing. In doing so helping operators know what's available (particularly in terms of online feedback mechanisms) and how to get the most from them.</p> <p>Create, pilot, refine and roll out a programme around skills and resources to allow business to better interrogate, track, interpret and act on what turns customers on and what turns them off</p> <p>Improve business access to trend information.</p> <p>Showcase what other businesses are doing in other networks to innovate and improve their business models. Observation and imitation is one of the most important sources of learning for innovation in tourism but how to SMEs get access to these examples (beyond their own geography)?</p>
2. Developing the idea/ Nurturing	How can ideas be developed, tested and refined?	<p>Introduce cross sector exchange schemes that will allow for senior personnel from other sectors to challenge the norms in businesses and engender a positive culture of change.</p> <p>Set up a programme of themed Open House events and Peer to Peer learning/ exchange visits that will allow businesses to benefit from a fresh perspective on the facilities and experiences they offer.</p>
3. Implementing/ Exploiting innovation	Where can support be given to take the innovation and make it a reality?	<p>Mentoring Programmes – bespoke, senior, and ruthless (including the ability to filter out unsustainable innovation concepts). This needs to be true tailored mentoring, not the roll-out of a pre-set skills training programme. Using the experience and good will of talented individuals such as the Innovation Think Tank participants, create a local</p>

		(Yorkshire) pilot mentoring scheme for businesses that engage with Stage 1 or Stage 2.
4. Commercialising/realising the potential	How to make ideas in to a commercial reality?	<p>Offering exemplary business plan formats in order to secure investment. Helping people understand exactly what elements are required in order to create a robust sense of what you are trying to achieve.</p> <p>Create a model format which drives participants in these projects to express their innovative project in terms that can be widely understood and set out a compelling commercial investment case. This could be self-completing or to be completed in collaboration with mentor/s.</p>

For discussion

Considering the actions proposed above:

- ? Are these activities realistic and will they support businesses to innovate more? If not why not?
- ? What other interventions can be considered by (a) the public sector or (b) by the private sector?
- ? Who should be delivering these interventions?

Consideration needs to be given as to who should be the target recipients of support for innovation within the visitor economy sector – should it be the entire sector, including businesses which show no appetite for change – or should it be those businesses and start-ups, of whatever scale, which demonstrate a hunger to grow and distinguish themselves?

Is it appropriate to target innovation support only at those businesses with a clear appetite for it? And if so should any programme be driven by demand and appetite – on a pull rather than a push basis?

What next

This discussion document has been written to develop a dynamic conversation with policy makers, professionals and business leaders as well as experts in and out of tourism. We hope to create a better understanding of innovation in our sector with examples to inspire others and to identify what support is need and from where. With this greater comprehension of this economic tool we can begin to influence how the visitor economy can develop and deliver on the growth potential it has.

The York, North Yorkshire and East Riding LEP will lead on practical activities in their area to stimulate innovation locally, the lessons of which will be shared through the network of local enterprise partnerships and other professional visitor economy networks.

Appendix one

The Innovation Think Tank was attended by the following individuals

- Omid Ashtari, foursquare
- Sally Broom, Tripbod
- Steve Brown, Bluestone Leisure
- Barry Dodd, GSM Group
- Simon Egan, BeWILDerwood
- Mark Fisher, Merlin Entertainments Group
- Sam Hardwick, Bivouac
- Charles Hunter, Mudlark
- Clare Morrow, Welcome to Yorkshire
- David Orr, The Urbanist Group
- Jill Simpson, Mount Marketing

The facilitation of the Think Tank and aspects of this report were delivered by the Leadership Agency (Martin Newman)

Appendix Two

Stage ONE: The sources of inspiration for innovation

**Think Customer
(personalisation)**

This emphasizes the importance of getting closer to the reality of customers' needs, wishes, hopes, frustrations as a central source of inspiration for innovation. By getting under the skin of the customer, the likelihood of coming up with perspectives and ideas that are not only new but, even more significantly, relevant is dramatically increased.

This leads to the concept of tailoring to customers' needs and in turn to the increasing trend currently to personalise/ customise services.

**Embrace Frustration/
Seize Opportunities**

This captures the restless spirit of questioning which refuses to accept things the way they are, and particularly focuses on any sources of frustration or disappointment – sure opportunities for a better solution and hence for innovation.

Think Community

Businesses which see themselves as being at the centre of a community, and creating their own community of employees, partners, customers, mentors and neighbours (whether in their physical neighbourhood or globally via the web), have three key advantages: relevance (they're more likely to be in touch with the real needs and aspirations of their community), ready-made ambassadors (every member of a community will feel good about spreading the word about a business they feel connected to), and sustainability (communities are more resilient than payrolls or customer databases). With this in mind, thinking about how to create a community around a business idea becomes a highly valuable source of innovation.

Be Honest

As a stimulant to innovation, honesty works in multiple dimensions. It starts with being honest with oneself about the nature of problems and opportunities.

Relish Freedom

Deliberately give yourself the space and time to allow 'blue sky' thinking; room to develop and grow.

Be Unique: Make Yourself Different

The quest for creating an offering which will strike your customers as different from the other options on offer to them when they're considering your business is a key driver of innovation.

The quest for differentiation in itself can lead to innovative ideas – if you set yourself the task of being different, you're bound to come up with new ideas. The challenge then is to filter out ones which don't have relevance to your target market.

STAGE TWO: Developing and nurturing the idea

Keep Up the Pace

The need to keep moving, particularly when following through an innovation – letting things stand still kills the opportunity. Jumping on good ideas, making it very clear that they are important and valued, and following through with them creates the sense of urgency and discipline which 'hot houses' innovative thinking.

Be Passionate

Innovation cannot succeed without emotional commitment and energy.

Be Tenacious

Expecting innovation to succeed without a great deal of sustained effort is unrealistic.

Test, Test and Test Again

The process of trial, error, feedback and improvement must be ruthlessly followed – never assume that you have it right from Day One, nor that if there are some problems early on in rolling out an innovation this means it is fatally flawed.

STAGE THREE: Successfully implementing and exploiting innovation

Casting: the Right Team Knowing the strengths and weaknesses of different people in a team, including having a strong awareness of your own strengths and weaknesses, and knowing how to bring the right combinations of people together is essential to make innovation work.

Getting the casting right to make your innovation work is important. This includes the importance of creating an atmosphere in which it's ok to fail – which encourages experimentation and innovation – at the same time as being ruthless if things aren't working.

Support Team / Mentoring Having people you trust to turn to for advice and help. This links strongly to the idea of 'casting'. A central point is that innovators almost invariably need to be able to have frank and confidential conversations with senior experienced business people who will have faced up to the sorts of problems and dilemmas which they are bound to encounter – yet, as innovators, they often tend to be independent minded and feel that they can 'go it alone'. Almost always they're wrong about that.

Recognition The importance within a business of giving strong and explicit recognition to any member of a team who has a thirst for innovation and who suggests innovative ideas. This can breed innovation and success.

STAGE FOUR: Commercialising/ realising the potential

The importance of knowing what you're trying to achieve, and of being able to express this within commercial terms – unless you're able to do this it is very difficult to build a team either to invest in or to implement your project.

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