

## Heritage Services Business Plan 2019–2024

### Contents

1. Summary. ....	2
2. The business unit.....	3
3. Business philosophy. ....	4
4. Review of performance.....	5
5. Business targets 2019-2024.....	15
6. Business Strategy 2019-2024.....	16
7. Investment. ....	19
8. Marketing plan. ....	22
9. Risk.....	25

### Attachment

Financial summary.....	28
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Further details are available for Cabinet Members in confidential appendices upon request.

## 1. Summary.

This is the fourth update and revision of the Heritage Services Business Plan 2015-2020 ('The Plan') adopted by Cabinet in February 2015. The third annual update was adopted by Cabinet in February 2018.

The Roman Baths will continue to take part in financial and qualitative benchmarking with other leading visitor attractions. In 2017/18 the Roman Baths was the most effective site at converting income to profit and generated the second highest profit per employee in the benchmarking group. The site remains the only local authority-run attraction in ALVA.

The Plan aims to grow annual profit by £2.2 Million (28%) over the next five financial years, so that by 2023/24 profit returned to the Council will be £10 Million p.a. It will contribute to the corporate finances by increasing income, reducing the revenue cost base after inflation and efficiently managing the staff establishment.

To deliver these challenging business targets, the Plan introduces a new tiered pricing structure at the Roman Baths. This aims to both increase revenue and reduce congestion and attrition on the monument by encouraging people to visit at off-peak times. Congestion is the biggest threat to the quality of the visitor experience and consequent adverse comment via social media. This continues the strategy adopted in 2016/17 to market the shoulder months rather than the high season. School groups are unaffected by this change and receive a flat price throughout the year.

To remain accessible to a wide range of audiences, the tiered pricing structure reduces admission charges at off-peak times of year and introduces a discount for tickets purchased online. The Plan continues the strategy adopted in 2017/18 to reduce the Roman Baths' dependence on the group travel market.

The Service will continue to invest to protect and conserve the Council's heritage assets, improve the visitor experience, enhance commercial performance and develop its staff to deliver the Plan's outcomes.

The Service will progress the Archway Project and continue to investigate options for the long-term futures of the Fashion Museum and Bath Record Office and for the development of the Victoria Art Gallery to improve its long-term financial sustainability.

## **2. The business unit.**

The Council established Heritage Services as an internal business unit in 2005. It approved bespoke financial arrangements to give the Service the freedom and agility to plan and to implement investment, pricing and marketing decisions and to deliver in return an agreed surplus for the Council.

Heritage Services is unique in the UK in operating at no cost to the local taxpayer. In 2018/19 the Service will return a net surplus of over £8 Million p.a. to the Council, measured on a full cost basis. Within the Council the Service is atypical in that it self-funds **all** cost increases, including increases in employer on-costs and other fixed costs.

Through its rolling 5-year business plan, the Service maximises the commercial opportunities offered by the Council's world class heritage assets. Using planned re-investment of a proportion of its earned income, the Service conserves and develops these assets, maintains and extends the audiences who enjoy them and protects and enhances the income streams earned through them.

Performance, business planning and investment strategy are reviewed by the Heritage Services Advisory Board of external specialists in governance, museums and visitor attractions, who advise Cabinet Members and the Scrutiny Panel Chair on the soundness of the Service's business plan.

### 3. Business philosophy.

The Service cannot maximise income to the exclusion of other considerations. Its business philosophy is to maintain the sustainability of three interdependent areas of activity:

- Conservation – preserving our unique heritage
- Customer care – improving the visitor experience
- Commercial development – remaining competitive and maximising income earning opportunities

This business philosophy is characterised as the ‘tripod of sustainability’ in Figure 1 below.

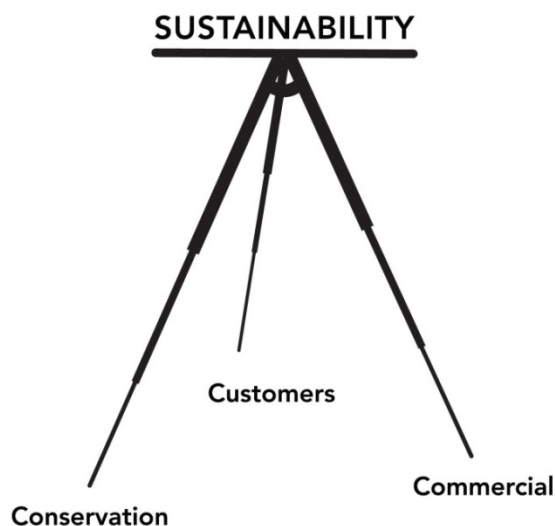


Figure 1. The Tripod of Sustainability; maintaining a balance across the three key areas of activity.

This model argues that, to ensure the long-term sustainability of the Council’s irreplaceable heritage assets, equal attention must be paid to each of the three key areas of activity. It demonstrates that the more one disturbs this balance by unduly extending or contracting any one of the tripod legs, the less sustainable the Service becomes.

The three areas of activity are interdependent: the better the state of our heritage’s Conservation, the better the experience for the Customer. Better Customer experience leads to enhanced reputation encouraging more visitors, which in turn increases the Commercial return. Healthy returns enable more resource to be reinvested into Conservation, Customer services and Commercial development.

## **4. Review of performance.**

### **4.1 Long-term performance (2008-2018).**

Significant and sustained investment in the quality of interpretation, the standard of presentation and in staff training has enhanced the quality of the Roman Baths' visitor experience. The ongoing Roman Baths Development programme has delivered conservation which has improved the condition of the monument as well as mitigate the impact of increased visitor numbers. This approach has resulted in excellent visitor feedback, commercial success and several regular regional and national awards.

Over the last decade Heritage Services has seen enviable growth in key areas, notably:

- Visitor numbers up by 436,000 (44%);
- External income (turnover) of £9.0 Million (+87%);
- A return of 35% on annual turnover compared to 27% in 2008/09;
- Increased annual profit by over 140% to a £7.4 Million p.a. in 2017/18 and a forecast of £8.0 Million for 2018/19

The business philosophy and bespoke operating arrangements have allowed Heritage Services to operate very successfully in the national visitor attractions market. Through benchmarking within the ALVA network (Association of Leading Visitor Attractions) we can see that our operation is in the top quartile for Profitability, Income per visitor\* and Employee Costs in relation to turnover. However benchmarking also shows that we perform below average in Retail Sales per Visitor and overall Value for Money.

[\* it is worth noting that some ALVA comparators (National Museums and Galleries) operate on a free-entry basis and only charge for specific exhibitions.]

### **Visitor numbers 2007 to 2017.**

The graph in Figure 2 below shows that Roman Baths' visitor numbers have grown by over 40% over the last ten years. In that time the headline ('adult single') admission price has risen by over 50% from £11.25 to £17.50. Despite this coinciding with recession and wage stagnation within the UK, visitor numbers have grown significantly.



Figure 2. Roman Baths' rolling 12-month visitor total. The dip in 2012 was due to the London Olympics and one of the wettest UK summers in recent times.

## 4.2 Performance in 2018/19.

2018/19 will be the sixth consecutive year that the Roman Baths has attracted over one million visitors.

The total forecast is approximately 1.19 Million visitors for 2018/19, which would be the second busiest year and a 0.7% drop on the record-breaking 2017/18. Visitor performance this year has been influenced by weather and by the strategy to promote the shoulder months and to encourage visitors outside the summer peaks. Snow in Spring 2018 saw us drop 10,000 visitors to the same period in 2017; our reduced marketing of the summer holiday dovetailed with the summer's heatwave and England's football World Cup run. This resulted in a drop of another 10,000 visitors to the same period in 2017. Outside these two dips, performance has matched or exceeded 2017 levels; in the period August to December 2018 visitors at the Roman Baths were up 3% on the 2017 figures, indicating the success of the marketing activity around the Autumn / Winter period. It is also worth noting that the June to July period coincided with the period following UK terror attacks in 2017 and visitors avoiding "big" cities, which resulted in a spike in visitors to Bath.

Visitor feedback through peak periods highlights that, despite a reduction in visitors during June, July and August, congestion caused by high visitor volumes still has a detrimental impact on experience, satisfaction and value-for-money scores. The revised pricing strategy outlined in section 6 below is designed to support us in managing this.

The Heritage Services profit target for 2018/19 was set ahead of the 2017/18 out-turn and included a contingency of £300,000. At the end of November 2018 the forecast was that it would exceed the corporate profit target for the year by £262,000 (1% of turnover). This forecast includes a one-off receipt of £100,000 in respect of backdated rent on 4 Circus which will flow into Council reserves which should be used to meet any dilapidation costs on the property.

	<b>Heritage Services budget</b>		
	Budget (£000)	Forecast (£000)	Increase (£000)
<b>Net profit</b>	<b>7,782</b>	<b>8,044</b>	<b>262</b>

Figure 3: Heritage Services' financial performance in 2017/18.

### 4.3 Financial performance benchmarked through ALVA.

#### **Profitability.**

This has continued to grow in each of the last six years. In 2013/14 profit returned to the Authority exceeded £5 Million for the first time, and it took three years of successive growth to pass £6 Million. The Service has since moved through £7 Million and is forecasting to break £8 Million in the two succeeding years.

When benchmarked against other ALVA attractions the Roman Baths is the most effective site at converting income to profit and generates the second highest profit per employee in the benchmarking group.

The average Roman Baths admission price is in the top quartile, and retail sales per m<sup>2</sup> are amongst the highest in the UK. Labour costs as a percentage of turnover are still amongst the lowest nationally.

#### **Admissions income.**

The Roman Baths performed within the ALVA top quartile and ALVA median scores for average admissions spend per hour of visit. Over the last five years the average Roman Baths admission price has grown by 34%, while the ALVA top quartile average admission price grew by 22% over the same period. In 2017/18 admissions increased by 6% year-on-year, whilst the ALVA mean visitor numbers grew by 8%. The ALVA growth was largely

driven by exceptional growth in Scotland, supported in part by a major increase in the number of destinations with direct flights into Edinburgh.

## Retail.

The contribution (profit) margin improved by 1% year-on-year and remains below the ALVA mean, which grew by 6%. Retail sales per m<sup>2</sup> improved on 2016/17 by 5% and are ranked fifth in the UK. Transactions per visit (conversion rate) at the Roman Baths reduced year-on-year, due to the shops reaching saturation point during peak days. In the recent past the Roman Baths shop has been expanded to the maximum size that the building layout will allow. To further improve the sales figures we will now focus on staff development and introduction of exclusive product lines.

## Marketing.

The marketing cost per paying visitors was in the lowest quartile, indicating the effectiveness of our marketing function. Section 8 below discusses the future plans for marketing.

## 4.4 Quality of Visit performance benchmarked through ALVA.

The visitors' perception of the experience offered is crucial to sustaining excellent visitor and business performance, as it will determine the future popularity of the sites. This section shows the results of 'quality of visit' benchmarking of the Roman Baths against other ALVA members. It summarises the aggregated findings of exit surveys conducted in Autumn 2017, Spring 2018 and Summer 2018.

### Overall visitor experience:

	<b>Enjoyment</b> (mean out of 10)	<b>Value-for-Money</b> (mean out of 10)	<b>Net promoter score</b> (likelihood to recommend)
All Attractions	8.8	8.5	+ 61
Museums & Galleries	8.8	8.7	+ 62
Heritage Attractions	8.8	8.2	+ 61
<b>Roman Baths</b>	<b>8.6</b>	<b>7.9</b>	<b>+ 50</b>
Leisure Attractions	8.8	8.0	+ 64
Highest score	9.9	9.8	+ 98
Lowest score	8.1	7.4	+ 18

Figure 4: overall quality of the Roman Baths visitor experience, benchmarked against other ALVA attractions Autumn 2017 - Summer 2018.



The Roman Baths is included in ALVA’s Heritage Attractions grouping, whose results are compared here to ALVA’s Museums & Galleries and Leisure Attractions. The results show that the Enjoyment and Value-for-Money ratings for the Roman Baths are below the mean scores for All Attractions and Heritage Attractions.

In summer 2018 the Roman Baths remained incredibly busy again averaging 5,500 visitors per day, with peaks in excess of 7,000. This volume of visitors causes congestion at peak times, and Trip Advisor reviews indicate that this overcrowding impacts visitors’ ‘Enjoyment’ rating. In 2019 we aim to alleviate some of the congestion issues through the new pricing strategy and through a new group management strategy.

**Visit compared with expectations.**

The graph at Figure 5 below shows that a visit to the Roman Baths broadly meets visitors’ expectations prior to visiting. This is in contrast to the experience at other benchmarked visitor attractions where the visit is significantly lower than people’s expectations.



Figure 5: quality of the visit compared with prior expectations Autumn 2017 - Summer 2018.

**Communications – prompts to visit.**

On-line marketing continued to dominate over printed materials such as leaflets and guidebooks in 2018. The marketing channels used by the Service adapt each year; in 2018 our websites were further developed in line to optimise ticket sales. This favours a ‘mobile

first’ approach as mobile and tablet overtook desktop as the most used devices to view our websites.

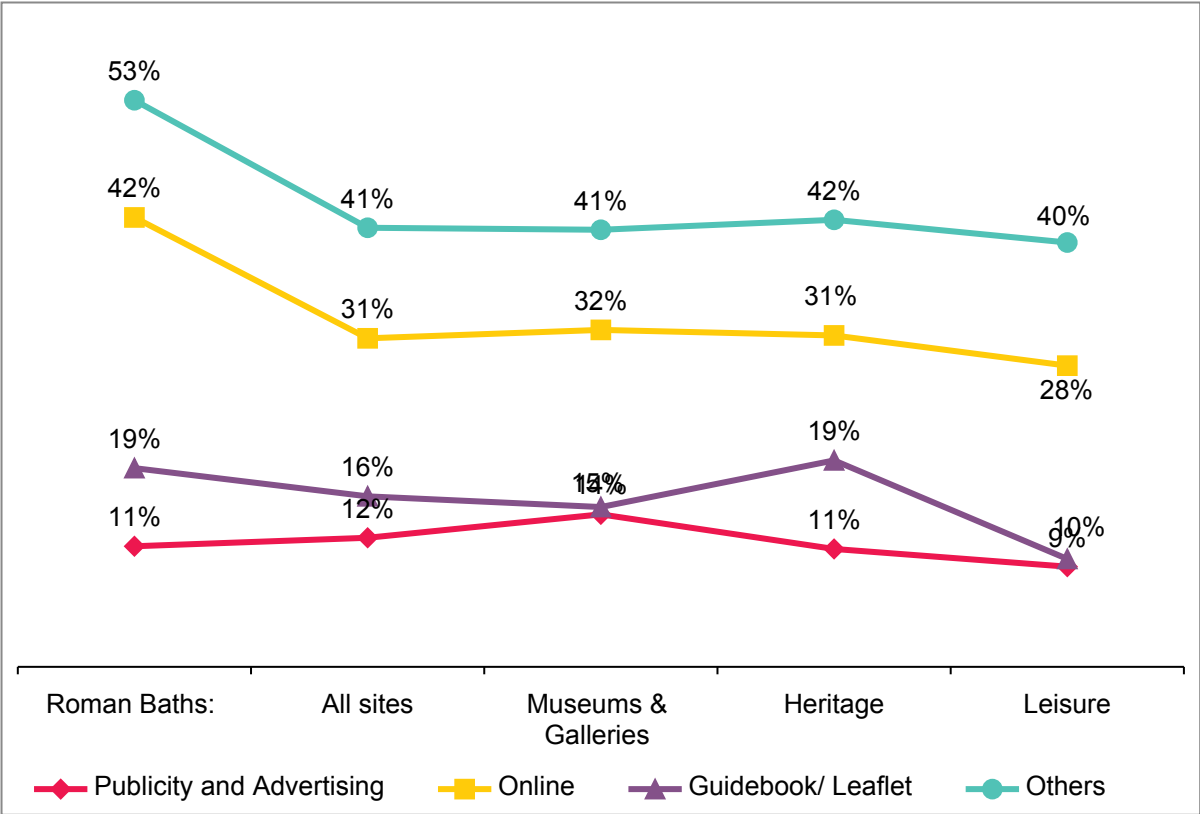


Figure 6: This graph shows the media that visitors used when planning their visit to the Roman Baths Autumn 2017 - Summer 2018.

### Main motivation for visiting.

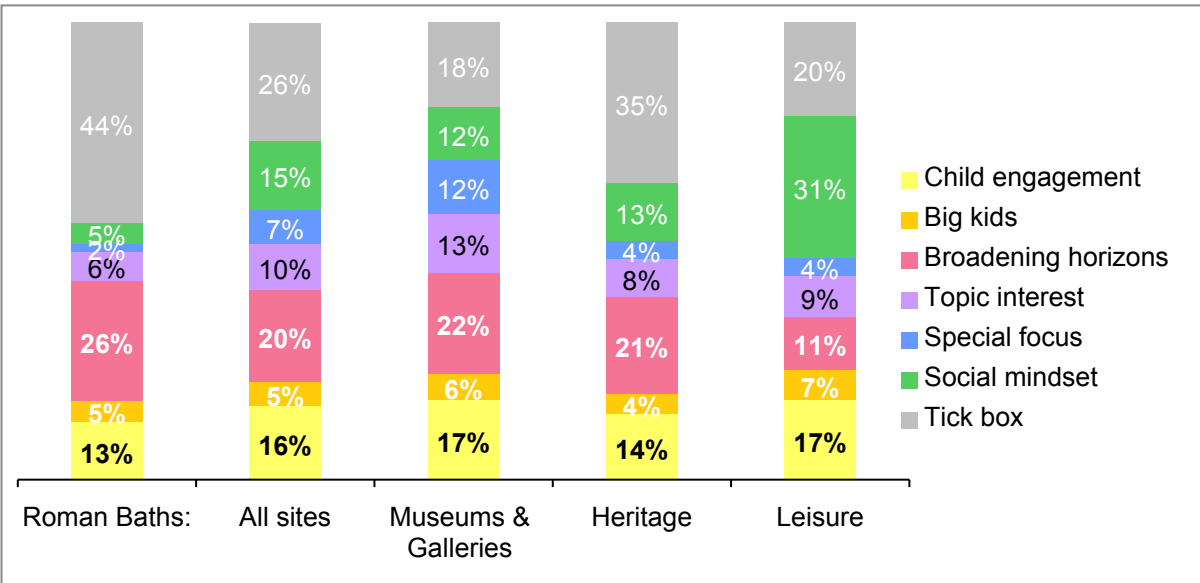


Figure 7: the very high ‘tick box’ response confirms the Roman Baths’ status as a ‘must see’ attraction Autumn 2017 - Summer 2018.

Heritage sites are the most popular “must see” attractions in the UK, but the Roman Baths is outstanding even in this category, reflecting worldwide awareness of the site and as demonstrated in Figure 7 above.

### **Experience ratings: service delivery measures.**

The experience ratings of all major visitor attractions included in the ALVA Benchmarking Survey are high and therefore this is a challenging benchmark. The Roman Baths’ scores across the some of these benchmarks increased in 2018, whilst the mean scores for Heritage Sites overall declined. This suggests that the investment in interpretation through the redevelopment of East Baths and the new digital display table in the West Baths is having a positive affect on visitors enjoyment. The particular strengths are in the site experience measures, ie, the subject matter and how it is presented.

<b>Site content measures</b>	<b>Roman Baths</b>	<b>Heritage Sites</b>
Staff knowledge about the site / subject matter	<b>9.05</b>	9.06
Opportunities to actively participate in your visit	<b>8.33</b>	8.56
Opportunities to think or learn	<b>8.82</b>	8.70
Bringing the subject matter to life	<b>8.87</b>	8.71
What there is to do here	<b>8.51</b>	8.60
What there is to see	<b>9.09</b>	8.97
Information to explain features / exhibits	<b>9.16</b>	8.82

Figure 8a: Experience ratings – site content: the Roman Baths and its peer group of other Heritage sites Autumn 2017 - Summer 2018.

<b>Touching your emotions</b>	<b>Roman Baths</b>	<b>Heritage Sites</b>
Touching your emotions	<b>7.81</b>	8.30
Opportunities to relax	<b>7.78</b>	8.39
Overall atmosphere here today	<b>8.66</b>	8.80
Making you feel this is a place where you belong	<b>8.00</b>	8.32
Offering something very different	<b>8.62</b>	8.59
Being lively and exciting	<b>8.25</b>	8.26
Helping you bond with those around you	<b>7.69</b>	8.52
Being family-friendly	<b>8.72</b>	8.81

Figure 8b: Experience ratings – touching your emotions: the Roman Baths and its Heritage peer group Autumn 2017 - Summer 2018.

We recognise that the Roman Baths scores lower than the ‘Heritage Sites’ average with regards to ‘touching your emotions’. The congestion in the peak summer will play a part in

some of the scores in figure 8b; we will continue to improve these scores through investment in interpretation and an emotionally-engaging events programme in 2019.

**Retail usage.**

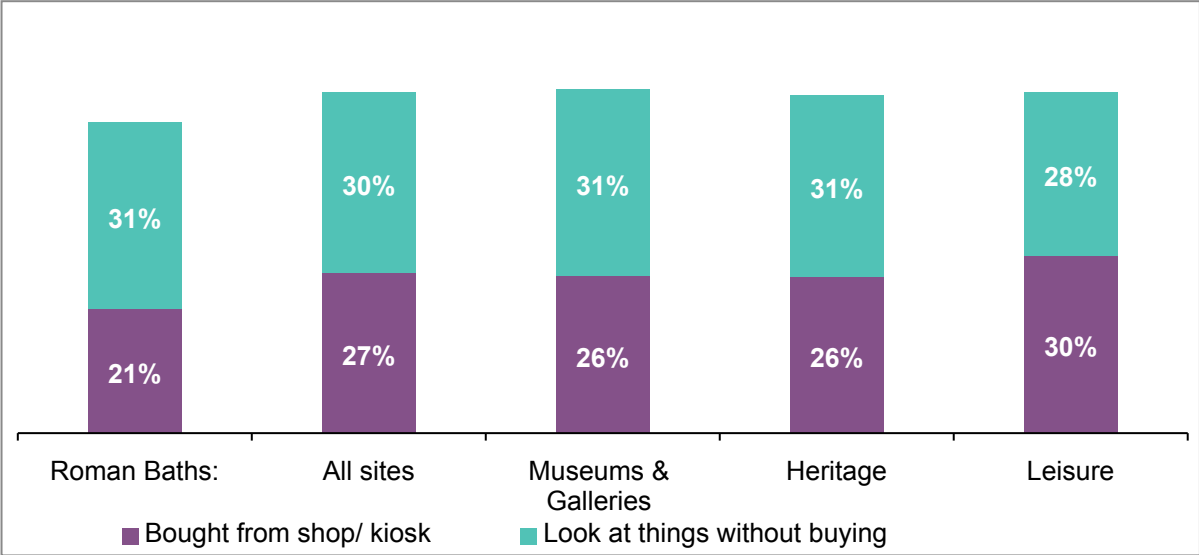


Figure 9: use of the museum shops compared with that at other ALVA sites Autumn 2017 - Summer 2018.

The performance of the Roman Baths’ shops continues to be broadly similar to that of shops in other ALVA attractions, despite the constraints of the main Roman Baths shop due to its small footprint. Through staff training and development we will focus on converting more browsing customers into buying customers, rather than trying to fit more people into our retail space. The Group Management Plan as set out in section 6 and the new pricing strategy will help by reducing visitor numbers at peak times allowing more enjoyable shopping experience.

**Visit history.**

Figure 11 below shows that the Roman Baths attracts fewer repeat visits than most other attractions. With only 3% of visitors returning within twelve months, the Marketing Plan must attract c1.1 million visitors each year who did not visit in the previous year. In 2017 as the Pound dropped, the Roman Baths became part of a once-in-a-lifetime trip for many long haul visitors to the UK which, in conjunction with being viewed by many as a “bucket-list” destination, explains the high level of first time visitors. As uncertainty around Brexit remains we can assume the Pound will stay low and may even fall further which will be an opportunity to continue to attract visitors from China and the US.

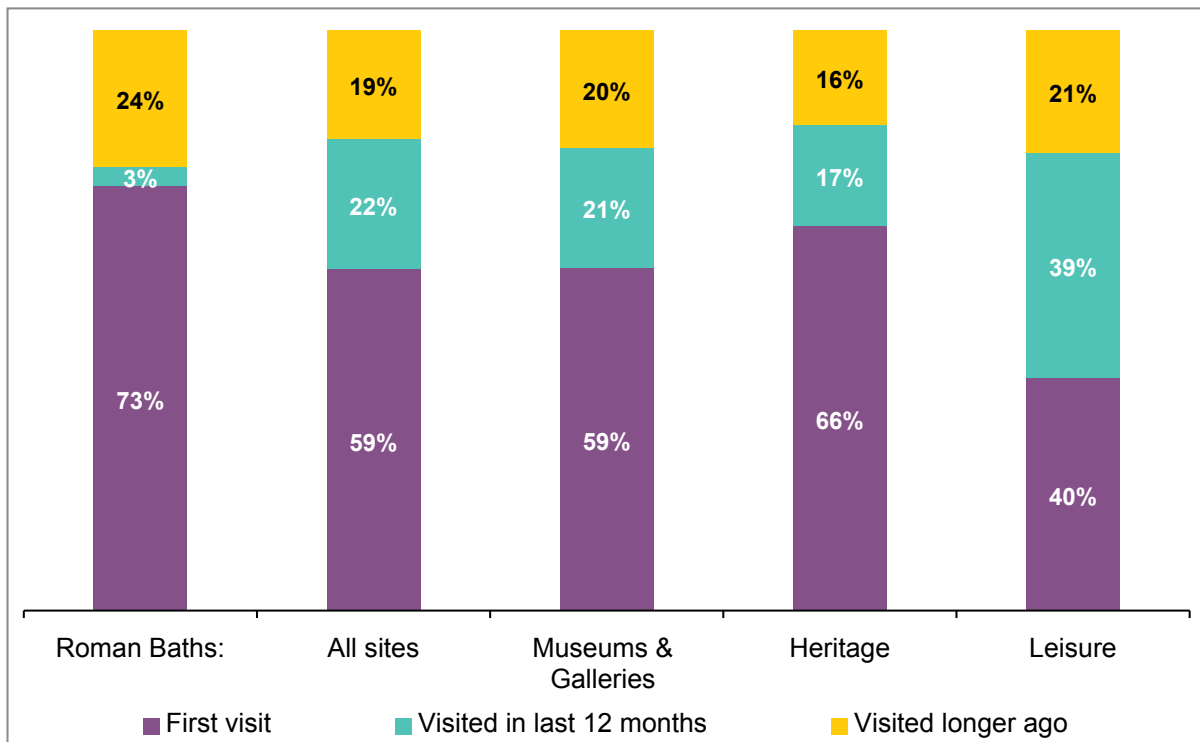


Figure 10: This graph shows that the Roman Baths has fewer repeat visitors than most other sites Autumn 2017 - Summer 2018.

**Dwell time.**

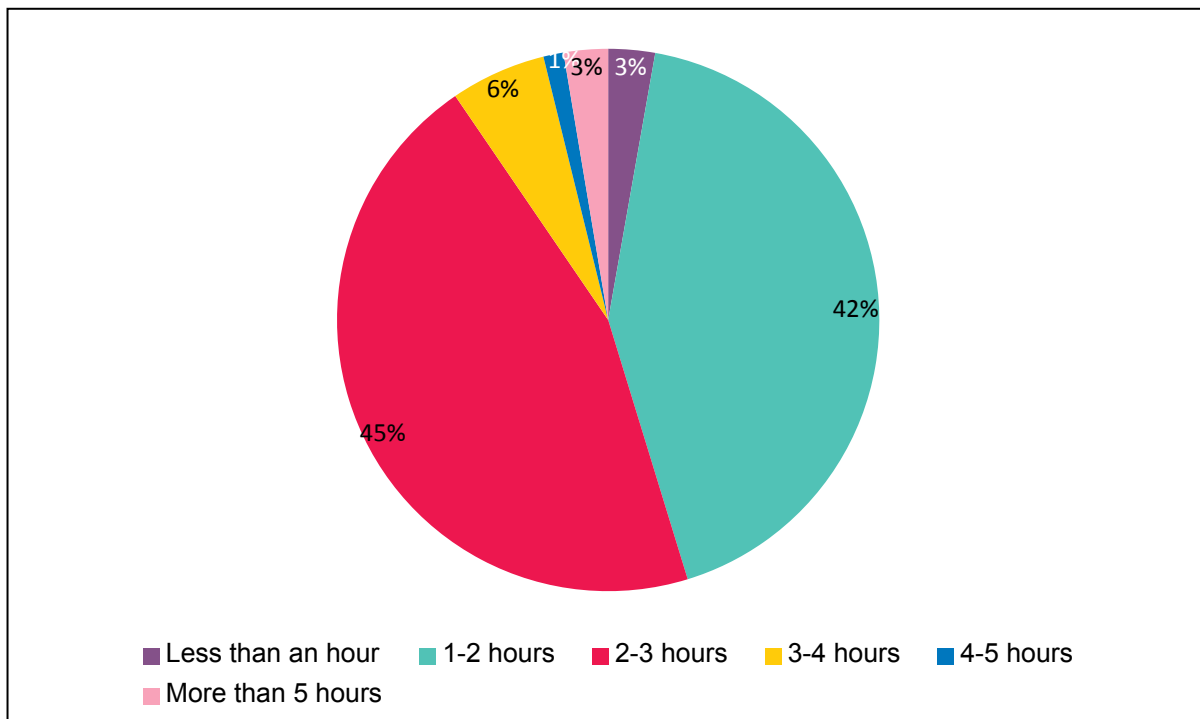


Figure 11: This graph shows that 89% of visitors spend between 1 and 3 hours in the Roman Baths Autumn 2017 - Summer 2018.

The lower end of this spectrum is impacted by Group Travel visitors. Groups frequently have less than 90 minutes from arrival to departure from the city. During 2018 2-3 hours overtook

1-2 hours as the most common dwell time. While this reflects the additional components added to the visit in recent years; it is also a contributing factor to congestion at busy times.

### Age profile of visitors.

	Under 25 years	25-34 years	35-44 years	45-59 years	60+ years	Mean age
<b>Roman Baths</b>	<b>14%</b>	<b>27%</b>	<b>18%</b>	<b>25%</b>	<b>15%</b>	<b>42</b>
All Sites	12%	19%	20%	25%	25%	45
Museums & Galleries	14%	19%	20%	23%	24%	44
Heritage Sites	10%	18%	21%	27%	25%	46
Leisure Sites	11%	19%	21%	23%	26%	46

Figure 12: This table shows that the average age of Roman Baths' visitors is lower than the mean across the attractions sector Autumn 2017 - Summer 2018.

Typically in the Heritage sector there is a reliance on the over-45s market. A more even split helps to manage the risk of a change in market conditions which adversely impact on one age demographic. Although the Heritage sector scores lowest for visitors under the age of 25, the Roman Baths (whose score is subsumed within the 'Heritage' score) has a higher than average number of under-25s. The most common age bracket for Roman Bath visitors is 25-34 years which reflects the site's broad appeal and the work with 'young social influencers' that the Marketing team has undertaken.

### Fashion Museum and Victoria Art Gallery Performance.

The Fashion Museum has enjoyed a strong 2018/19 with visitor figures up 6% on the previous year. The *Royal Women* exhibition has proved very popular, particularly with international visitors. The wedding of the Duke and Duchess of Sussex provided an excellent marketing opportunity mid-exhibition, and the discovery of a lost dress from Queen Alexandra during the exhibition gave added publicity during the year.

2018/19 will be a record year for the Victoria Art Gallery, primarily due to the outstanding success of the summer exhibition, *A Celebration of Flowers* by Kaffe Fassett. Shown alongside Candace Bahouth, this exhibition enjoyed both commercial and popular success with over 23,000 visitors spending in excess of £50,000 in retail during the three and a half months of the exhibition. For context, the total retail sales in 2017/18 were £45,000.

## 5. Business targets 2019-2024.

The Plan aims to grow annual profit by £2.2 Million (28%) over the next five financial years, so that by 2023/24 profit returned to the Authority will be £10 Million p.a. The increase is delivered through income growth and robust management of the cost base.

The Plan includes the Business Rate revaluation for the Roman Baths site, which increased the Business Rates from £332k in 2016/17 to £740k in 2019/20. The Plan also reflects the pay award agreed by the Council, which includes above-inflation increases for staff on lower payscales. The majority of the Heritage Services workforce are below grade N and therefore receive the higher pay increase. As the Living Wage continues to grow above the rate of inflation, pay is expected to be the biggest cost pressure facing the Service.

The table at Figure 13 below demonstrates planned performance in each year based on the updated financial model that underpins the Plan. Performance will be monitored and reflected in future revisions of this Plan.

	2017/18 (actual)	2018/19 (forecast)	2019/20 (proposed)	2020/21 (proposed)	2021/22 (proposed)	2022/23 (proposed)	2023/24 (proposed)
External turnover (£000)	19,444	20,306	21,753	22,295	22,743	23,207	26,662
<b>Net Profit (£000)</b>	7,734	8,044	8,782	9,137	9,017	9,817	10,049
Profit target (£000)	6,075	7,695	8,782				
Surplus against target (£000)	1,395	262					
<i>Profit as a % of income</i>	35%	35%	35%	36%	35%	39%	39%
Roman Baths visitors (000s)	1,201	1,190	1,135	1,162	1,180	1,198	1,216
Fashion Museum visitors (000s)	96	100	95	97	98	99	100
Victoria Art Gallery visitors (000s)	173	185	165	165	165	165	165
Roman Baths income per visitor (£)*	14.49	15.18	17.24	17.51	17.59	17.68	17.77
Net profit per Council Tax household (£)							
* (admission income plus gross retail sales & other sales) and café / restaurant commission)							

Figure 13: Heritage Services' key financial and visitor targets.

## **6. Business Strategy 2019-2024.**

To achieve the business targets above, we will continue to implement the broad strategy outlined three years ago in the Heritage Services Business Plan 2015-2020 and in the subsequent annual updates. It is also necessary to review the approach to pricing for the Roman Baths.

This will mean:

- Introducing a tiered pricing structure to influence visitor behaviour and encourage visitation at times when the Roman Baths has greater capacity.
- Maximising revenue through admission income.
- Sustaining staffing and investment to support large price increases and improve visitor satisfaction.

The detailed proposals in The Plan include the following measures:

### **6.1 Roman Baths.**

- Introduce a tiered pricing structure, depending on time of week and time of year, and offer online discounts for visitors who pre-book their ticket (see detail below);
- Manage a reduction in the proportion of visitors arriving in groups.
- Grow visitor income from the current record levels through the new pricing strategy and continue to grow through each year of the Plan;
- All price increases will be monitored and reviewed in detail to assess possible impacts on price resistance and yield and inform future year pricing policy and Business Plan reviews.

### **6.2 Fashion Museum.**

- Ticket prices increased following strong 2018 visitor figures and the popularity of the *Royal Women* exhibition.
- Increased, sustained visitor volumes achieved via the promotion of the expanded 'saver' ticket and improvements in the core visitor offer;
- A focus on improving levels of secondary spend;
- Work with our Caterer to improve the "offer" at the Assembly Rooms café.



### 6.3 Victoria Art Gallery.

- Prices increase to reflect quality of exhibitions and consistent growth in recent years.
- Sustained visitor numbers and admission income via the expanded 'saver' ticket introduced in 2016 and increased opening hours to be consistent with the Roman Baths and Fashion Museum.
- Major *Toulouse Lautrec* exhibition scheduled for 2020.

### 6.4 Pricing Strategy.

In recent years visitor numbers during peak periods have been exceptionally high at the Roman Baths, with a number of days exceeding 7,000 visitors. During these periods the volume of visitors is cited as detrimental to the visitor experience and when the site is more crowded, the attrition on the monument is greater. Until this point there has been no incentive for visitors to come to the Roman Baths at a quieter time due the flat pricing structure.

On 1<sup>st</sup> January 2019 a tiered pricing structure was introduced to try to influence behaviour. This tiering is set out below. Lead adult prices will range from £16.00 off-peak to £22.00 peak.

	Weekend (Sat-Sun)	Weekday (Mon-Fri)
January to March	Off-Peak	Super Off-Peak
April to May	Standard	Off-Peak
June to August	Peak	Standard
September to October	Standard	Off-Peak
November to December	Off-Peak	Super Off-Peak

Figure 14: Roman Baths ticket price schedule

An online discount of 10% will be offered to encourage visitors to book in advance. As well as offering an opportunity to gain faster entry, it provides us with valuable data for rota-planning and for marketing; it also gives an increased opportunity to up-sell guidebooks on the website. Moreover a digital transaction has a much lower cost to it than a face-to-face sale.

By using the online discount, visitors are able to visit for a lower price than during 2018 for 65% of the year. This ensures that we remain accessible and try to avoid making heritage an unaffordable proposition for people who can be flexible about when they visit. We hope to achieve a smoother pattern of visiting during the year. The strategy will be reviewed after the summer to inform any revisions for 2020. In addition to this we have extended child ticket to include 17 and 18 year-olds in order to further build our appeal to younger audiences and improve accessibility for this group.

We are budgeting for a slight drop in visitor numbers in 2019/20 due to this change in approach as we predict the 26% price increase for summer weekends will be a deterrent to some visitors. Nevertheless the strategy is expected to deliver an additional £1.4M of admissions income at the Roman Baths in 2019.

## **6.5 Group travel business.**

Groups currently make up 30% of all Roman Baths visitors. Whilst they are an important part of our customer base, they visit during a small window of the day and bring us the biggest numbers on our busiest days, contributing significantly to overcrowding. In 2018 a Group Management Strategy was created to try and better manage the group visitor process and reduce issues with capacity on busy days. The strategy is designed to reduce the number of group visitors that visit the Roman Baths to 25% of total visitors. This will be achieved by:

- Reducing the capacity for group entry during our peak times.
- Extending variable rate pricing to all group visitors making it cheaper to visit in the off-peak months compared to the busiest Summer months.

## **6.6 Future developments.**

**Fashion Museum:** the Service will continue the search for suitable new premises before the current Assembly Rooms lease expires in 2027, or the National Trust enforces the break clause in 2023. The Museum remains one of the world's top ten fashion museums but its ability to attract visitors is inhibited by its distance from the Roman Baths, where 50% of its tickets are sold, and its almost total lack of an on-street profile.

**Victoria Art Gallery:** the business case undertaken in 2017 for extending the Gallery into the adjacent void to improve its financial sustainability will be reviewed and developed in 2019.

## 7. Investment.

**Staffing** and **investment** costs continue to be relatively low when compared with other visitor attractions. To sustain high visitor numbers, satisfaction ratings and income levels, the level of investment in the quality of the visitor experience will be sustained, both through investment in our interpretation but also through ongoing development and upskilling our staff. At the same time we have reviewed our cyclical maintenance and investment. Where possible without significantly impacting on the measures above, we have extended the period over which we invest, to play our part in meeting the current financial pressures that the wider Authority is facing.

### 7.1 Revenue investment.

Revenue investment plan is undertaken under the priorities shown here:

Standards	Visitor Experience	Commercial	Future Offer
Monument conservation Site maintenance Toilet refurbishment Equipment renewal	Staff engagement Improved interpretation Toilet refurbishment Changing exhibitions	Market development Shop upgrades Retail product development Venue hire facilities	Feasibility studies - Fashion Museum - Victoria Art Gallery

Figure 15: Heritage Services revenue investment priorities

### 7.2 Capital investment.

The main projects during the life-time of the Plan will be:

#### **The Archway Centre.**

This £5m project includes a capital contribution by the Council of £1 Million, of which £750k is corporately funded and £250k funded by the Service. The project will refurbish some run-down former spa buildings and give them a new lease of life by creating in them a World Heritage Centre and Roman Baths 'Clare Learning Centre'. While the Clare Learning Centre will protect existing income streams, its principal benefit will be as a long-term investment in inspiring the audiences of tomorrow.

The Clore Learning Centre will bring the site's educational offer up to the standard now expected of a major visitor attraction, with state-of-the-art facilities and four times the present capacity. It will be used not just by schools but by learning and community groups of all ages.

For the first time there will be one city-centre base where residents and visitors will be able to learn why Bath is a World Heritage Site and then go out and explore it for themselves. The project will also open up to public view an area of the Roman Baths that has never before been seen by daytime visitors.

The World Heritage Centre and Clore Learning Centre are planned to open during 2020/21. The Plan provides for net operating costs of between £150k and £200k p.a. from this year onwards, representing an investment of c.1% of annual turnover to sustain future audiences and income streams.

#### **Roman Baths development.**

The earliest parts of the last development programme are now ten years old, and the site requires another cyclical programme of works phased over several years. Work will begin in 2019/20 to prepare proposals for a new development programme from 2021/22 onwards.

#### **Roman Baths infrastructure.**

The core programme of investment in infrastructure and conservation at the Roman Baths complex will continue at a level of £100-£200k p.a. Individual projects will continue to be reviewed annually by the Heritage Services Advisory Board and via the corporate capital approvals process.

#### **Visitor Management System (VMS).**

Capital investment of £100k in the second phase of the VMS to develop the retail and Discovery Card modules has been postponed. This phase of the project will require at least one year to plan and implement, and will therefore be deferred to 2022/23.

#### **Victoria Art Gallery air conditioning.**

This will complete the project to replace the largely defunct system installed when the Council refurbished the Gallery in 1991. Controlled environmental conditions will enable the Gallery to continue to put on high quality exhibitions that will contribute to the Gallery's ongoing healthy financial performance.

**Spa water energy capture scheme.**

This project has been scoped and designed in 2016/17 and 2017/18 and is due to be installed in the King's Bath during 2019/20. It will replace the equipment installed in 1993, supplement the conventional energy usage at the Pump Room complex and will also serve the new World Heritage Centre and Clore Learning Centre.

## **8. Marketing plan.**

The key objectives for the Marketing Team in 2019 are to deliver marketing campaigns that foster strong brand saliency nationally and internationally and to achieve the targets set out in section 5 above.

We will develop our online presence to increase the number of visitors that pre-book their visit online from 7% in 2018 to 15% in 2019 through digital marketing and through the introduction of discounts for online purchases.

The Marketing Team will continue to cultivate and grow the important Chinese and US inbound visitor markets. We will increase US visitors from 13% to 15% of our total visitor and sustain our Chinese visitors at over 100,000 in 2019.

It will continue to raise awareness of the Archway Project and build anticipation for the opening of the Roman Baths Clore Learning Centre and the World Heritage Centre.

### **8.1 Marketing campaigns.**

The planned campaigns for 2019 are set out below. All campaigns are evaluated against Key Performance Indicators, including using tracking URLs, targets for increasing visitors, click-through rates and social media engagement statistics.

#### **Easter.**

A regional marketing campaign aimed at families which uses the same creative as February 2019 Half Term. Following an increase in web users from Gloucestershire and Cheltenham we have placed added advertising on bus rears in these locations to capture parents and children on the school run.

#### **Easter evenings.**

A marketing campaign and programming which promotes the extended opening hours over the Easter weekend. This campaign will have a 'Museum Lates' feel, to encourage visitors without children to visit after 5pm over the Easter Weekend to help ease congestion during the day. The evenings include programming of live music, performances and a pop-up bar and target a younger audience of 24-35 year-olds.

### **Summer evenings.**

Our summer campaign will be similar to 2018. Media will be placed on the London Underground and in London publications, at railways stations along the M4 corridor, and in high footfall areas in Bristol such as Cabot Circus, alongside Facebook campaigns. In addition we will work with Sky Adsmart to show a 90-second advert to Sky TV subscribers in West London, Gloucestershire and Bristol. This will allow us to carefully target audiences with higher levels of disposable income and who have an interest in the arts and history.

### **Spas Ancient and Modern.**

Following the rise in ticket sales we witness in the approach of half terms, we will run a campaign from October through to Christmas which highlights the *Spas Ancient and Modern* package as the perfect break in Bath and also the perfect gift at Christmas.

### **February half-term.**

We will deliver a regional marketing campaign aimed at families.

## **8.2 China.**

China remains an important market for the Roman Baths (roughly 10% of the Roman Baths' total audience), Fashion Museum and Bath as a destination. China's National Immigration Administration revealed that for the first half of 2018, a total of 164.16 million Chinese residents applied for passports for private purposes, a 21% increase from the previous year. 2017 saw the Chinese FIT (Free Independent Travellers) market overtake the Chinese Group Travel market. FITs now make up 60% of China's outbound market. China has been a growth market for the Roman Baths for many years due to the early introduction of Mandarin on the audio guides, the adoption of marketing to China in China and marketing to Chinese visitors when they are in the UK. The Roman Baths was a founding partner of VisitBritain's 'Welcome China' campaign.

Tourism in China is forecast to grow by 8% over the next 10 years. We will continue to actively market to Chinese people in two ways when they are in China planning their holiday through our romanbaths.cn website and social media channels. Through partnerships with the China Business Network, China Travel Outbound and Visit Britain, by

working with Chinese social media channels and Chinese Visa Centres. We will also advertising direct to Chinese people when they are already in the UK through working with Chinese Student Social Associations, advertising on popular Chinese culture websites, and placing adverts in Newspapers.

### **8.3 The US market.**

The US Market remains an attractive market for growth with many Americans using the weak Pound as an opportunity to make that once-in-a-lifetime trip to the UK. America is the second biggest market for inbound visits to the UK and the first in terms of spend. In 2016 the average US visitor spend on leisure in the UK was £915. They are also a market which is more likely to travel off-peak.

### **8.4 Victoria Art Gallery.**

In 2019 the summer exhibition *War and Rumours of War* will tackle the challenging subject matter covered by the Inter-war artists. The exhibition features some big names such as Henry Moore and Barbara Hepworth. We will use targeted marketing for the headline summer exhibition with a marketing campaign targeting special interest groups and advertising through outdoor media in and around Bath to capture both residents and visitors. Social Media marketing will continue to be an important part of the Gallery's marketing plan as it has a high rate of repeat visitation and is therefore perfect for relationship marketing tactics.

### **8.5 Fashion Museum.**

2019 marks a step change for the Fashion Museum as it moves away from delivering large scale temporary exhibitions such as *Royal Women* in favour of smaller more frequently changing displays. We will highlight each display change through PR support, advertising in targeted publications such as *Stitch Magazine* and the occasional Outdoor Media Campaign. Following the successful DAX Radio Streaming marketing campaign for *Royal Women* we will look to replicate this for *Collection Stories*. We will continue to promote the permanent exhibition *A History of Fashion in 100 Objects* through social media marketing and Google Display advertising. To build advocacy for both exhibitions we will look to engage key social influencers through events at the Museum to encourage endorsements and social sharing.



## 9. Risk.

The risk inherent in the Service's business activities has grown with its success. Small variations in visitor numbers and have a relatively large effect upon both income and profit in any year.

This is reflected in the Council's General Reserves via the Robustness of Estimates calculation.. A risk of £1m is recognised, this is assessed as low / medium risk; the Plan recommends that the total net risk provision should be reviewed again in future years.

Maintaining Roman Baths' visitor numbers at current levels continues to carry a significant risk. Overcrowding at peak times of year is starting to impact on the overall visitor experience, as illustrated in the table at Figure 5 on page 9 above. This shows visitors' ratings of Enjoyment and Value for Money performance when benchmarked against the ALVA mean. With a score of 8.6, the Roman Baths is slightly below the mean Enjoyment rating for Heritage sites of 8.8 and, at 7.9, significantly below the mean Value for Money rating of 8.2.

The Roman Baths currently enjoys exceptionally high TripAdvisor ratings and this is likely to have played a major part in the attraction's growth in popularity. However there is a risk that the resultant congestion will reduce visitor satisfaction and provoke an adverse reaction on TripAdvisor and other forms of social media.

Visitor numbers in any year can also be influenced by common factors such as the weather, the timing of major sporting and political events, and transport issues (as was seen during 2018 with snow, a heatwave and a World Cup all having significant impacts on visitor behaviour) The table at Figure 16 gives a small number of scenarios and the impact on income and profit that could result from even very small variations.

Factor	Visitor numbers	Value of 10% variation in 2019/20
Easter weekend	c. 19,000	c. £33,000
Busy summer Saturday and Sunday	c. 13,500	c. £25,000
Busy summer weekday	c. 5,500	c. £10,000

Figure 16: Roman Baths' visitor numbers: illustration of variations.

To enable the Service to deal with the impact of an unforeseen change in market conditions, unexpected expenditure requirement or unplanned opportunity for commercial investment, a

contingency of £290k (1.8% of planned expenditure) has been provided within the plan. This is split as follows: £100k Revenue; £100k Maintenance and £90k Investment.

9.1 Threats to the business.

External events.

Every year geo-political, economic, public health, environmental and meteorological events cause uncertainty, deter people from travelling or influence their decisions about where, and whether, to take a holiday. The effects of these have been felt across the visitor attractions sector. Some of the key issues from the last decade are shown in Figure 17 below.

<b>Geo-political / world events</b> <b>2011</b> bombing of Libya <b>2012</b> London Olympics <b>2013</b> unrest in Egypt and Syria <b>2014</b> unrest in Egypt, Syria and Iraq <b>2014</b> Malaysian Airlines' disasters <b>2015</b> terror attacks in North Africa, France and Belgium <b>2015-17</b> war in Syria; migration crisis <b>2016</b> terror attacks in Turkey and Germany <b>2017</b> terror attacks in Europe and UK <b>2017</b> President Trump elected <b>2018</b> Middle East unrest; threat of terror attacks <b>2018</b> Novichok incidents, Salisbury	<b>Environment</b> <b>2010</b> Ash Thursday <b>2011</b> Japan earthquake / tsunami <b>2012</b> wettest UK summer in 100 years <b>2014</b> West Country flooding <b>2018</b> closure due to snow <b>2018</b> UK heatwave
<b>Health scares</b> <b>2007</b> Foot-and-Mouth Disease <b>2009</b> Swine 'Flu <b>2014</b> Ebola <b>2015-16</b> Zika virus	<b>Economy</b> <b>2008</b> credit crunch <b>2009-12</b> recession <b>2016</b> Brexit vote <b>2017-18</b> Brexit uncertainty <b>2019-22</b> Stonehenge tunnel

Figure 17: Issues which may have influenced people’s travel-making decisions.

The Business Plan assumes that there will be no significant geo-political, security, economic, environmental or meteorological events in the next five years that will inhibit people’s willingness to travel or visit UK attractions.

The potential disruption caused by major works to the A303 in the vicinity of Stonehenge may have a significant impact on our group travel operators during the outer years of The Plan. We will continue to investigate the potential impact of this as detail about the timing of the works becomes clearer.

**Customer price resistance.**

The new pricing strategy is designed to mitigate the risk of customer resistance following a number of years of above-inflation price rises. Variations in price between time of week and time of year, coupled with discounts for online ticket purchases give customers the choice to visit at a time and price combination that best meets their needs.

**Reputation loss.**

Continued high visitor numbers may detract from the quality of the visitor experience. Falling visitor satisfaction and significant price at our busiest times rises could lead to a loss of reputation with negative publicity by word-of-mouth and social media.

**Financial.**

Expenditure to support the Service's successful growth of income will be an increasing proportion of overall Council expenditure, particularly as the Council contracts. This will pose an increasing risk to the Council's 'partial exemption' VAT position that could incur an additional VAT cost of around £1m p.a. if the 5% threshold is breached.

**Systems and processes.**

Financial pressures on the Council have led to increasing standardisation of process and systems. These changes focus on supporting shrinking local authority services aimed at a local client base, but are often not appropriate for a business that the Council expects to grow and sell its services commercially to a national and international customer base.

The Winckworth Sherwood Options Review of 2014 highlighted the imperative for the Service to be able to use industry standard, fit-for-purpose commercial systems and procedures if it is to remain competitive. In order to successfully deliver the continued increases in income and profit required by this Plan it is essential that the Service is empowered to employ appropriate systems and processes to achieve the commercial objectives that the Council has set. This includes the ability to specify and control investment projects to ensure that they are fully aligned with commercial and marketing objectives.

## Financial summary.

### Heritage Services Business Plan 2019-24

[Contents](#)

#### Business Plan Summary

	Prior Year Actuals		2018/19	2019/20	Plan Years			
	16/17 Act £'000	17/18 Act £'000	Budget £'000	Budget £'000	20/21 £'000	21/22 £'000	22/23 £'000	23/24 £'000
Admissions	(13,772)	(15,303)	(16,089)	(17,500)	(18,231)	(18,583)	(18,943)	(19,310)
Retail Sales	(2,326)	(2,351)	(2,384)	(2,399)	(2,463)	(2,527)	(2,577)	(2,621)
Room Hire	(570)	(556)	(562)	(574)	(588)	(603)	(618)	(634)
Catering Commission	(777)	(750)	(822)	(701)	(613)	(632)	(651)	(670)
Other Income	(634)	(323)	(251)	(399)	(259)	(284)	(304)	(311)
Internal Income	(3,011)	(2,783)	(2,990)	(3,070)	(3,085)	(3,119)	(3,149)	(3,204)
Grants/Contributions	(200)	(161)	(198)	(180)	(141)	(113)	(114)	(115)
<b>Total Income</b>	<b>(21,290)</b>	<b>(22,226)</b>	<b>(23,297)</b>	<b>(24,823)</b>	<b>(25,380)</b>	<b>(25,862)</b>	<b>(26,356)</b>	<b>(26,865)</b>
Employee Costs	4,276	4,273	4,855	5,110	5,140	5,279	5,386	5,493
Premises Costs	978	1,120	1,241	1,296	1,287	1,473	1,532	1,594
Transport Costs	23	25	29	31	31	31	31	31
Supplies & Services	3,388	3,275	3,367	3,439	3,369	3,384	3,415	3,442
Recharge codes	4,559	4,429	4,520	4,661	4,641	4,651	4,675	4,745
Other Costs	3	1	1	1	1	1	1	1
Unallocated Budgets	0	0	0	0	0	0	0	0
Investment	1,478	1,368	1,501	1,503	1,775	2,025	1,499	1,511
<b>Total Expenditure</b>	<b>14,704</b>	<b>14,492</b>	<b>15,514</b>	<b>16,040</b>	<b>16,243</b>	<b>16,844</b>	<b>16,539</b>	<b>16,816</b>
<b>(Surplus) / Deficit</b>	<b>(6,586)</b>	<b>(7,734)</b>	<b>(7,782)</b>	<b>(8,782)</b>	<b>(9,137)</b>	<b>(9,017)</b>	<b>(9,817)</b>	<b>(10,049)</b>
Operating Margin	30.9%	34.8%	33.4%	35.4%	36.0%	34.9%	37.2%	37.4%
Operating Margin (pre investment)	37.9%	41.0%	39.8%	41.4%	43.0%	42.7%	42.9%	43.0%
Wage %	20.1%	19.2%	20.8%	20.6%	20.3%	20.4%	20.4%	20.4%

Figure 18: Heritage Services Business Plan financial summary.