

Walpole

What It's Worth: Enabling The Return Of The £30bn High-End Tourism Sector

MAKING THE UK THE WORLD'S NO 1
DESTINATION FOR LUXURY VISITORS



Making The UK The Leading Destination For Luxury Visitors

Walpole's offices in the heart of central London afford us an eyrie-like view of some of the capital's busiest tourism hubs. In recent months, we've seen tourists queuing for the London Eye, stopping to admire the newly renovated Elizabeth Tower and promenading through theatreland. All hugely reassuring, especially given the hit tourism suffered during the pandemic.

Speak to many Walpole members, however, and it's a different story. While the domestic tourism market is still strong and Covid restrictions abroad are partly to blame for the absence of high-end visitors, the current policy environment isn't making travel easier. Whether it's scrapping the VAT Retail Export Scheme (tax-free shopping) that has seen high-end tourists favouring boutiques in Paris and Milan over London recently, outdated visa rules deterring potential affluent international travellers or the labour market challenges that see many Walpole members struggling to recruit the highly-skilled hospitality workers they need to deliver the guest experience for which the UK is renowned – we're having to work twice as hard to demonstrate our appeal to the high-end visitor. British luxury brands and hotels are investing in their visitor experiences, but by not doing more at the macro level to encourage high-end tourists back, the UK is missing out on a mammoth opportunity, not capitalising on the post-Brexit chance to gain competitiveness in continental Europe.

Before the pandemic, high-end tourism in the UK was worth a massive £30bn a year, with high-end visitors spending 14 times more per stay than other tourists. It doesn't take an economist to realise the



benefit these high-spending visitors bring to the wider tourism ecosystem: job creation, and positive cultural and social benefits throughout the country. If the UK is to be restored as the world's number one luxury destination, then it's patently clear we need a coherent strategy and policy changes to get us there. The analysis, stories and data found within this report should provide serious food for thought for decision-makers, helping formulate a pathway to make UK luxury tourism stronger and even more exceptional than before. We are grateful to our colleagues in ECCIA and, in particular, Altagamma and Bain & Co for their collaboration and work on this invaluable piece of research to understand high-end tourism and its impact across the UK and continental Europe. ¹⁰

A handwritten signature in black ink, appearing to read 'H.B.', written in a cursive, professional style.

HELEN BROCKLEBANK
CHIEF EXECUTIVE, WALPOLE

Executive Summary: How can we enable the return of the luxury tourism sector?

The UK and Europe are the undeniable home of global luxury. With its rich history and culture, and desirable high-end hospitality and retail industries, our continent holds an extraordinary appeal for affluent international visitors. But what is the economic impact of this segment and how do we capitalise on the UK's opportunity to attract high-spending visitors to regain our advantage as the world's number one luxury tourist destination?

THE EUROPE-WIDE TOP LINE

Prior to the pandemic, continental Europe and the UK accounted for more than half of the international arrivals worldwide, making it the number one tourist destination globally. The direct economic impact of tourism across Europe was between €575bn – €725bn in 2019 with the high-end segment accounting for 22% or €130 – €170bn in value terms. The largest tourism economies – France, Germany, Italy, Spain and the United Kingdom – generated almost 70% of the overall economic value.

When you look at high-end visitor spend across Europe it is divided between accommodation (30%), culture, entertainment, dining and shopping (65%), and transport (5%). When comparing this allocation of spend to other segments, high-end visitors' expenditure

is over eight times more than other tourists, clearly demonstrating the significant value of this group.

UK ECONOMIC IMPACT

While the 8 times multiplier is a significant figure and a meaningful contribution to the European economy, it pales in comparison to the UK, where the high-end visitor spends a staggering 14 times more each day than the other tourist. This increases to 20 times more on accommodation and 18 times more on culture, entertainment, shopping and dining. Around a third or £30bn in value terms of the UK's overall £85bn domestic and international tourism market, can be attributed to high-value tourism. In other words, for every £3 spent by tourists, £1 is spent by the high-end traveller. Of total high-end visitor spend in the UK, 67% is attributed to culture, entertainment, shopping and dining, 30% to accommodation and transport at 3%. The positive economic benefits from this revenue are also significant.

Most importantly, for every £1 spent by a high-end visitor, £8 of value is generated in other industries spread across the UK. All of this demonstrates that the high-end visitor is economically important, and a highly valuable group to nurture as we build back our tourism industry post-Covid.

CULTURAL & REPUTATIONAL IMPACT

The report also underlines the strength and importance of the high-end tourism eco-system and the halo effect on other industries. It creates a virtuous circle with a positive impact effect across retail, hospitality, culture and the arts. All of these work together to create value for the economy and exchequer, creating good quality, well-paid jobs, ensuring the preservation of historically important buildings and sites, and driving the desirability of the UK as a destination, enhancing our country's reputation and soft power on the world stage.

DRIVERS OF LUXURY TOURISM AND UNDERSTANDING THE HIGH-END VISITOR

Understanding who high-end visitors are, where they come from, their motivations for travel, and how to meet their expectations is crucial to creating an attractive offer; whether marketing in advance of a stay, creating special services and experiences or ensuring a simple and straightforward visa application process during their stay.

For instance, for the UK in particular, the US is a major source of inbound tourism, particularly at the high-end level. High-end visitors value a variety of high-quality sites of interest and seek out cultural experiences in galleries, museums and art fairs. They travel around internationally relevant cultural, sporting and social events from Wimbledon to Goodwood and Glastonbury.


The presence of high-end boutiques and luxury brands for shopping and a proliferation of superb restaurants is a key driver. Other drivers include facilities to enable tax-free shopping, a transport infrastructure that

includes high-end travel options, and a visa system that makes entering the UK simple. In recent years, high levels of public safety have also become an increasingly important factor when choosing a destination.

THE NEED FOR ACTION

When comparing pan-European data to the UK, it is clear that Britain has historically held the advantage when competing for high-end visitor wallet-share. However, this success is now hampered by a policy landscape which is holding back our competitiveness and risks wasting opportunities for growth. If we are to maintain and enhance our desirability and competitive edge, policymakers must make changes to unlock the economic and reputational value of high-end tourism in the UK.

The report outlines a range of recommendations at both a policy and promotional level that will enable the UK to capture the full potential of this high-spending group, from simplifying the visa regime for visitors to re-introducing a world-class, digital tax-free shopping offer and extending Sunday trading hours. There is also an opportunity to reconsider how we market the UK to the world and how we can leverage the ecosystem to build experiences using London as a launchpad to show off the best of the UK.

As we look back at the pandemic, it's clear just how much of the luxury sector is fuelled by international visitors. So as travel re-opens across the globe, now is the time to act. With the right support, we can secure the future of high-end tourism and the economic, cultural and employment benefits that accompany it. 

Understanding the value of high-end tourism

High-end tourism is worth up to £30bn to the UK. That means it presents a critically important opportunity to rebuild the post-pandemic economy and support future prosperity across the country, based on a virtuous circle of hospitality, culture, travel and retail.

ABOUT THE REPORT

Walpole, in partnership with our fellow luxury associations across Europe in the European Cultural & Creative Industries Alliance (ECCIA) – Comité Colbert in France; Altagamma in Italy; Spain's Circulo Fortuny; Germany's Meisterkreis, Sweden's Gustaff III Kommitté – and with support from Forwardkeys, Global Blue and Virtuoso Travel, have worked with Bain & Co on a pan-European study into the impact and value of the high-end visitor. Entitled *High-End Tourism – A Strong Driver For Europe*, this was first published in the summer of 2022.

For the first time, the report allowed us to quantify the value of high-end visitors over mass-tourism, as well as motivations for travel, drivers of tourism and a view of high-end visitor spend when travelling. It gave us a comparative picture of the strengths of the key European destinations for high value visitors – not least the way the eco-system of culture, luxury brands and hospitality work together.

Inspired by the European level report, Walpole has produced this report, *What It's Worth: Enabling The Return Of The £30bn High-End Tourism Sector*, in which we examine the key data points from the European study and take a deep dive into the UK's high-end

tourism eco-system, as well as opportunities for growth via policy and promotional recommendations. The report was originally published in May 2022 and an updated version was published in early 2023.

EUROPEAN CONTEXT

The UK and continental Europe is the unrivalled home of global luxury: its combination of history, culture, hospitality and retail has long held an appeal for affluent international visitors. Whether they are visiting world-famous museums and galleries, dining at Michelin-starred restaurants, attending art fairs or fashion shows, enjoying the countryside, relaxing by the sea or shopping in European capitals such as London, Paris or Rome, Europe is the number one destination for luxury aficionados.

According to a first-of-its-kind report, produced by management consultancy Bain & Co for the European Cultural & Creative Industries Alliance (ECCIA), the value of high-end tourism was €130bn – €170bn (£106 – £139bn) in 2019 or nearly a quarter (22%) of the whole European tourism market.

In pre-pandemic Europe, tourism created €575bn – €725bn (£490bn – £618bn) of economic impact

The report, *High-End Tourism: A Driver For Europe*, measures the scale of European tourism, the value of the high-end segment, their spending habits and motivations for visiting certain countries, the key drivers of tourism and the associated 'halo' effects. The report covers the impact of Covid, the potential for recovery, and recommendations to help the sector reach its full potential. Importantly, the report provides a deep dive analysis into the five main countries – France, Germany, Italy, Spain and the UK – which account for nearly 75% of the whole high-end tourism market alone.

The following pages are a short summary of the Bain & Co report, produced by Walpole, to share the highlights of the key findings at a European level for context and the impact of high-end tourism in the UK. The full European ECCIA report is available upon request.

HIGH-END TOURISM IN EUROPE THE FACTS AND FIGURES

The UK and continental Europe account for more than half of international arrivals worldwide, making it the number one tourist destination globally. This makes tourism responsible for 4% of European GDP. Before the pandemic, the direct economic impact of the whole tourism industry across the UK and continental Europe was estimated at €575bn – €725bn rising to

Before COVID, the UK had the largest high-end tourism market across Europe.

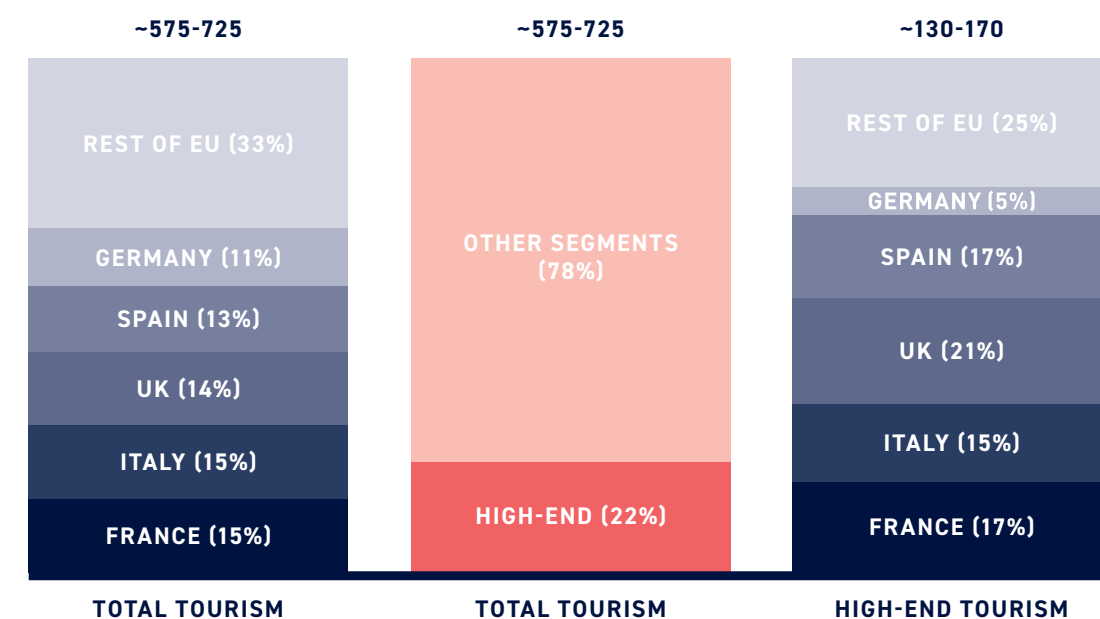
€1tn if indirect contribution is included. The industry is also a major employer across Europe, being directly responsible for 12m jobs which rises to 22m when indirect employment is included.

THE APPEAL FOR HIGH-END VISITORS

The UK and Europe holds a particular appeal for high-end visitors, who have long been drawn to its lifestyle, history, culture, food, cities and countryside, brands, shopping experiences and world-famous events. In 2019 alone, high-end tourism accounted for €130bn – €170bn of the overall economic value of tourism to the European economy: equivalent to nearly a quarter (22%) of the whole tourism market (see figure 1).

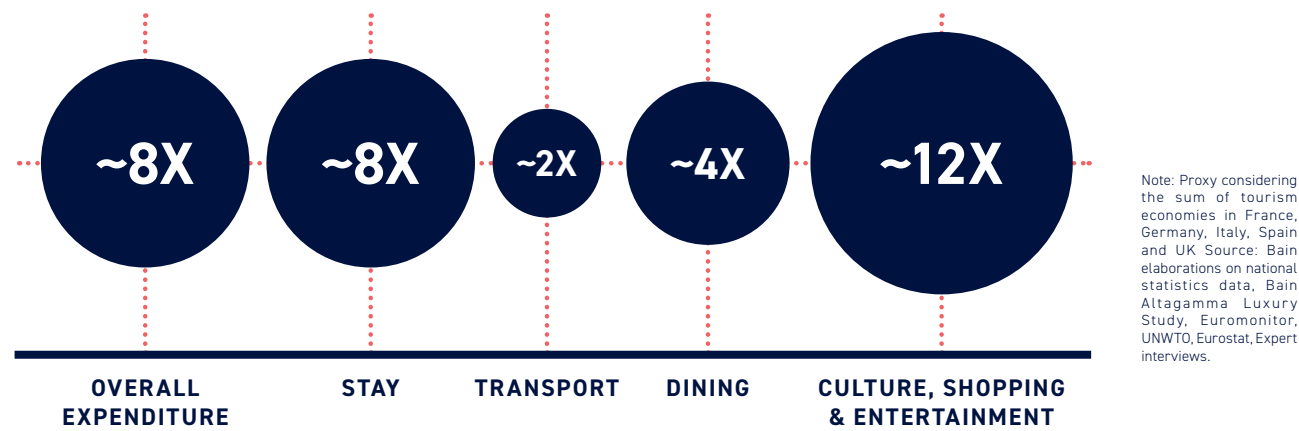
When high-end visitors travel to Europe, their spend is typically divided between four main areas, culture, entertainment and shopping (which accounts for 50% of

FIGURE 1 TOURISM INDUSTRY IN EUROPE BY COUNTRY AND BY SEGMENT (€BN | 2019)



Note: Other Europe includes remaining EU member states Source: Bain elaborations on national statistics data, Bain Altagamma Luxury Study, Euromonitor, UNWTO, Eurostat, Expert interviews.

FIGURE 2 HIGH-END TOURISTS' EXPENDITURE AS A MULTIPLIER WITH RESPECT TO OTHER TOURISTS' EXPENDITURE



spend); accommodation (30%); dining (15%) and transport (5%) – clearly showing the virtuous circle and ecosystem that exists within the tourism industry. In pre-pandemic Europe, tourism created €575bn – €725bn (£490bn – £618bn) of economic impact, with a significant element of this driven by the high-end traveller. The halo effects associated with wealthy international visitors in Europe are extremely high. The total spend per day of a high-end tourist is eight times greater than mainstream tourists, with the financial benefits rippling through to the wider economy (see figure 2).

**HIGH-END TOURISM IN THE UK
THE FACT AND FIGURES**

When looking specifically at the UK, the economic value created by tourists (both domestic and international) amounts to £68bn – £85bn (€80bn – €100bn) with high-end tourism alone accounting for £25bn – £30bn (€30bn – €35bn) of that total, around a third of total spend (see figure 3). Pre-Covid, the UK had the largest market by value of high-end visitors of any country across Europe (see figure 4). The economic impact of high-end travellers in the UK is also substantial. These visitors spend £1,600 to £1,695 per day in the UK, 14 times more than other tourists. They spend 18

times more on culture, entertainment and shopping and, in the case of accommodation, 20 times more than average tourists (see figure 5). In fact, high-end tourists support the whole tourism ecosystem when visiting the UK, with 53% of high-end expenditure spent on culture, entertainment and shopping, 30% on accommodation and 14% on dining (see figure 6).

THE DRIVERS OF HIGH-END TOURISM

There are many overlapping reasons why the UK holds a special place in the hearts and minds of these wealthy visitors. The soft power of British culture holds significant sway across the world. Some tourists want to experience the 'British way of life'; others want to experience the country's outstanding culture – its theatres, galleries and museums. For many, the presence of luxury brands and shopping is a major draw. They also come specifically to attend world-famous events such as Wimbledon, London Fashion Week, the Boat Race, Edinburgh Festival, the Proms, Bath Festival, Glyndebourne, Glastonbury and Frieze Art Fair – a varied cultural calendar that is unique to the UK.

The international prominence of British popular music, art, TV and film strongly resonates with younger generations across the globe, many of whom flock to the UK to experience the country's vibrant youth culture. Culinary tourism is also on the rise with inbound high-end visitors (43% describe gastronomy as a 'preferred experience') eager to sample some of the 184 Michelin-starred restaurants across the UK or tour whisky distilleries in Scotland.

Every £1 spent by high-end tourists creates £8 worth of value to the UK economy.

FIGURE 3 INTERNATIONAL AND DOMESTIC TOURISM BY VALUE CREATED IN THE UK 2019 (£BN)

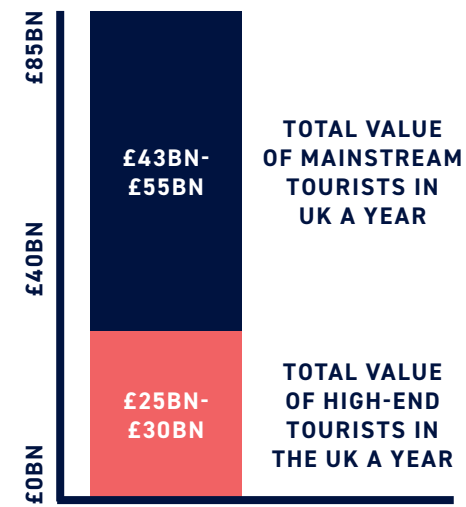


FIGURE 4 HIGH-END TOURISM VALUE ACROSS EUROPE BY MARKET IN 2019 (€BN)

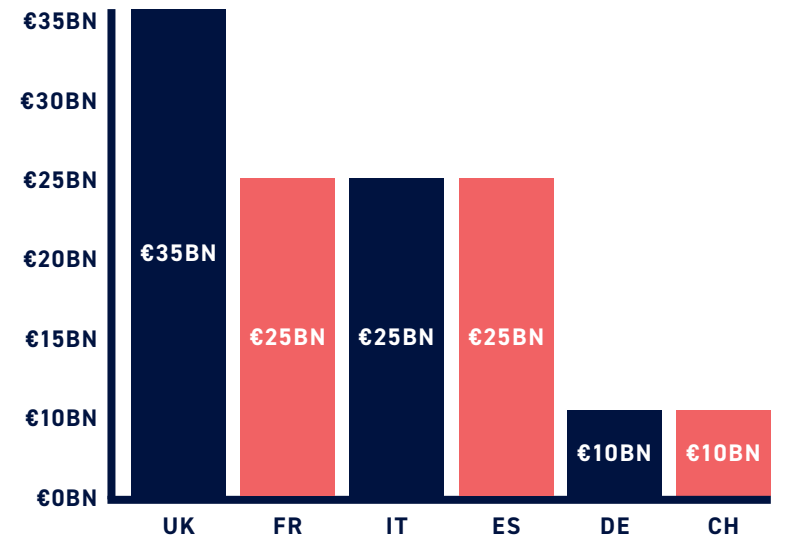


FIGURE 5 HIGH-END TOURISM GENERATES €30-35BN (£25-£30BN) A YEAR IN THE UK. HERE'S HOW THIS MONEY IS SPENT.

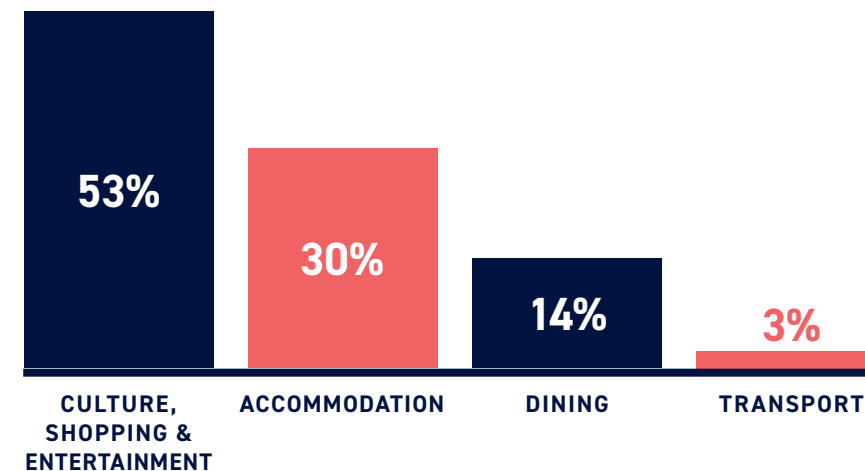


FIGURE 6 AVERAGE SPENDING PER DAY OF TOURISTS STAYING IN HIGH-END FACILITIES AND RATIO VS. OTHER TOURISTS, BY EXPENDITURE SEGMENT (€,2019)

Segment	Average Spending (€)	Ratio vs. Other Tourists
Stay	~€580-600	~20X
Transport	~€50-70	~3X
Dining	~€260-280	~8X
Culture, Shopping & Entertainment	~€1,000-1,050	~18X
Total	~€1,890-2,000	~14X

Source: Bain elaborations on Visit Britain data, Bain Altgamma Luxury Study, Euromonitor, UNWTO, Eurostat, Expert interviews

FIGURE 7 DRIVERS AND ENABLERS OF HIGH-END TOURISM



Significant numbers of wealthy visitors also stay in the UK due to it being an epicentre for global business, as well as hosting some of the top educational institutions in the world. Furthermore, the UK is perceived to be a 'safe' destination compared with some of its European neighbours.

There is never only one reason why the wealthy want to visit, but a combination of the factors above make the UK uniquely placed to profit from these high-spending visitors (see figure 7).

HIGH-END TOURISM SPEND AND IMPACT ACROSS THE WHOLE COUNTRY

While much of high-end tourism is concentrated in London – the capital is home to 17 out of 25 of the most visited attractions and houses over 40% of the UK's luxury hotels – high-end tourist spending and its associated impact spreads across the whole country. In Scotland, for example, distilleries such as The Macallan have invested heavily in their visitor experience, while Scottish golf courses remain a major attraction for visitors from the US and Asia. Meanwhile, Edinburgh attracts wealthy guests from across the globe, both for its annual Fringe Festival and Hogmanay celebrations.

Prior to the pandemic, Oxfordshire featured heavily on the itineraries of the UK's annual 883,000 Chinese tourists, who stock up on brand names at the boutiques of Bicester Village, often visiting villages such as Kidlington to sample 'typical' British rural life en route. Asian tourists – particularly from Japan – also visit Staffordshire in high numbers, keen to view the World of Wedgwood's stunning ceramics. Even when these visitors start their trip in London, their journey often embraces the whole of the UK.

Another facet of the UK's high-end tourism landscape is its high-profile sporting occasions such as Wimbledon and horse racing at Ascot, Cheltenham, and Goodwood. The increasing global popularity of Premier League football also attracts visitors who wish to experience a football match at Old Trafford or Anfield, or a rugby international at Twickenham, Murrayfield in Edinburgh or the Principality Stadium in Cardiff. Such sporting events play a huge role

in dispersing high-end tourism across the UK. For example, a high-end visitor attending a football game in Manchester will most likely stay overnight or spend a weekend in the city exploring local attractions. As such, it can generate a halo effect that boosts other local businesses in the North-West.

THE HALO EFFECT OF HIGH-END TOURISM

The economic impact of high-end tourism only tells half of the story. Its true value is created by considering both the high-end tourist segment and its associated wider benefits, such as employment, ensuring the preservation of historic and culturally relevant sites, and generating significant capital and long-term investment; which feeds into and benefits the wider tourism sector (see figure 8).

EMPLOYMENT

The luxury tourism sector helps provide sustainable employment for thousands of people across the UK working in five-star accommodation, castles, country estates, flagship stores, museums and sporting venues, both in major cities and more rural locations. Significant

High-end tourists spend 18 times more on culture, entertainment & shopping.

investment is made in training, employee engagement, well-being and opportunities for long-term career development.

To provide the high levels of service expected by affluent travellers, high-end hospitality businesses employ a higher number of staff (over double the standard number) to look after their guests. This equates to 0.7 employees per room, whereas the standard figure would be 0.3 employees per room. The benefits extend beyond direct employment – the success of a store such as Harrods can generate wider demand for the local district or neighbourhood, resulting in increased employment across the board.

FIGURE 8 TOURISM AXES OF VALUE CREATION





As Michael Ward, Managing Director of Harrods and Chairman of Walpole, points out, a store such as Harrods provides additional employment for multiple businesses in the area, from roles in neighbouring restaurants and shops to taxi drivers. Such brands also encourage indirect employment with the development of related businesses and services nearby, which provide opportunities for entrepreneurs and those hiring local staff.

PRESERVATION


Another halo effect of high-end tourism is the preservation of historically and culturally relevant sites. Many hospitality companies, country estates, luxury stores and restaurants are located in historically important buildings or areas of natural beauty. This ranges from historic properties of national importance such as The OWO hotel and residences (set to open this year in the Old War Office Building on Whitehall) to country homes of political and historic importance such as Cliveden. Their presence not only helps

bring high-end visitors to their locations, but also attracts investment and ensures they are restored and preserved for future generations.

TRENDS DRIVING INVESTMENT

Organisations in the high-end tourism sector are increasingly investing in the sustainability of their business model by reducing their environmental footprint, tackling emissions, removing single-use plastics and supporting local community projects. These measures can play an important role in attracting the increasingly eco-conscious high-end traveller.

SOFT-POWER TOURISM

A final halo effect is the bolstering of the UK's reputation and image abroad. If an affluent visitor enjoys their visit, and subsequently shares these travel experiences either through word-of-mouth or on social media, they become brand ambassadors for the UK in their well-networked circles at home. 

Who is the high-end traveller?

The high-end traveller is represented by a limited number of people worldwide with an elevated spending power whose international travel and associated spend is beneficial for economies and multiple industries. In 2019, 53 million people worldwide had a net worth of over \$1m – a number which has grown by 5% annually over the last 5 years and is expected to grow at 6% for the next 5 to 7 years. The USA and China are the main countries of residence; in 2019 50% of the world's affluent came from the USA and 13% from China. When looking at the Ultra High Net Worth Individuals, the USA represents 32% while China is 10%.

When referring to high-end tourists (as opposed to mass market tourists) they are defined by their accommodation choices staying in five-star or higher hotels or in equivalent non-hotel accommodation.

The top countries for high-end tourists to visit are Italy, France, the UK, Spain, Switzerland, Japan, Australia/New Zealand, Indonesia, China, South-East Asia and the USA, with Italy being seen as the “most beautiful country” and France being the country which embodies the concept of “luxury”. When looking at European cities, the top luxury holiday destinations are Paris (51%), London (43%) and Milan (33%). While growing in number, this important segment has also been changing with a shift towards an awareness of sustainability, mindfulness and an increased consciousness of the impact of their travel decisions.

High-end visitor preferences for destinations vary according to their nationality and generation. In general, Americans and Europeans place a higher value on the quality and uniqueness of the destination, and the availability of luxe accommodations. Visitors from the GCC are drawn to a destination by the high-end shopping experience it offers and nearby luxury accommodation.

Chinese travellers are more attracted by the trendiness of the location and the possibility of personalised experiences, preferring to rent villas or stay in boutique hotels for shorter stays, whereas other nationalities favour larger five-star hotels. European and American travellers are most likely to opt for coastal destinations, while Chinese and other nationalities show preferences for cities.

This gap is also reflected across generations, with Gen Z (those born between 1995 and 2010) preferring mega-cities and art cities, while older visitors favour coastal destinations. Generationally, older visitors choose their destination mostly by looking at the quality and uniqueness of the place and younger generations are more influenced by the choices of their peers and what they see on social media (26% of Millennials and Gen Z choose their location based on the advice of influencers and/or celebrities).

For American travellers, proximity plays a key role in destinations to visit. Mexico and Canada were preferred destinations, representing 50% of total outbound tourism in 2019. They are followed by European countries such as France, Italy and the UK, as well as the Caribbean.

Chinese tourists also value proximity as the average Chinese citizen prefers to travel within the Asian region, favouring countries such as Thailand, Japan and South Korea. Among European destinations, Italy was the top country for arrivals of Chinese tourists in 2019. Among affluent Chinese, long-haul travel is more common, but Japan was still the top tourist destination in 2019 with France, Switzerland, and the United States in the top five. When looking at the criteria for choosing a destination, the variety of places ranked first, followed by ease of getting a visa second, and luxury shopping opportunities third.

Luxury tourism recovery: 5 recommendations

For the UK to fully capitalise on the opportunity of high-end tourism and build back an even stronger tourism sector that embraces the value of high-end visitors there are several practical recommendations and creative ideas that together will enable the UK to retain its place as a leader in luxury tourism.

1. ENSURE A LEVEL-PLAYING FIELD FOR TAX-FREE SHOPPING

The VAT Retail Export Scheme (VAT RES) was a successful policy for the UK, which directly attracted over 600,000 non-EU visitors a year and encouraged millions of others to shop across Britain during their visit.

It supported British businesses of all sizes, from major brands to SMEs, and significantly bolstered the UK's appeal to tourists by allowing non-EU visitors to reclaim the 20% VAT paid on their purchases when returning to their home countries. It also kept the UK on a level playing field with other European countries and thus ensured tax competitiveness.

While tax-free sales directly generated £3.5bn a year for the UK, they generated further revenue within the wider tourism ecosystem: whenever tourists shopped in Knightsbridge or Bicester Village, they spent on accommodation, restaurants, cultural experiences, entertainment and transport – all of which were VATable. With total spending by non-EU visitors in 2019 reaching £17.9bn, the nearly £15bn in taxed spending raised around £3bn for HM Treasury.

It was a particularly important draw for wealthy international visitors from China, the Middle East

and the US, as these kinds of tourists are both price-sensitive and able to choose to spend elsewhere. However, the scheme was abolished by the UK Government on New Year's Eve 2020, due to the perceived costs of maintaining this valuable initiative post-Brexit. For a brief period in September 2022, the Government reversed this position and planned to reintroduce the policy, however this reintroduction was cancelled in October 2022.

With the scheme's abolition, the UK is now the only European country not to offer tax-free shopping and there is clear evidence that international visitors are increasingly taking their spend to other destinations across continental Europe, hampering the UK's post-pandemic recovery.

We can see this sentiment already being reflected in spending habits. When comparing US visitor retail spend in the EU and the UK for Q4 2019 versus Q4 2021, US spend in the EU has returned to 91% of what it was in Q4 2019, while the UK is only at 49% (according to data from Global Blue).

High-end tourists who would previously come to London to buy clothes, jewellery and handbags are now increasingly choosing Paris, Milan and Madrid instead. In a study by tax-free shopping business Global Blue in 2019, 93% of international travellers said they would be less likely to shop in the UK if they couldn't reclaim VAT, heading to France and Italy instead.

The Office for Budget Responsibility (OBR) estimates the decision to abandon the scheme will lead to a drop

of 38% in retail sales to non-EU visitors compared with 2019. A direct loss of £1.2bn in retail sales undermines the Government's ambition of returning international visitor spending to 2019 levels by 2023, as well as hampering the UK's wider economic recovery.

Both the OBR and HM Treasury have admitted a failure to take into account the indirect impact of ending tax-free shopping when estimating the level of VAT raised from abandoning the scheme, with these impacts harming not just retail and hospitality businesses, but also manufacturing businesses from across the UK whose goods are stocked by high-end retailers.

Indeed, while in the 2022 'mini-budget' the Treasury estimated that the re-introduction of this scheme would cost around £2bn a year when fully operational, even this figure was wrong. The estimate was rooted in an inaccurate set of assumptions about levels of EU spending matching non-EU spending, in addition to failing to account for behaviour change.

A new Oxford Economics study commissioned by our partners at the Association of International Retail (AIR) showed that rather than costing the Treasury £2bn, reintroducing tax-free shopping would make an extra £340m to the Exchequer.

It also found that the additional international visitor spending generated by tax-free shopping would support £4.2bn of GDP annually, sustaining 78,000 jobs across the UK. This is a compelling economic return – a 7:1 return on investment.

OUR RECOMMENDATION:

The Government must accept that the data now supports the re-introduction of the scheme. It should commission the OBR to conduct a full analysis of the benefits of tax-free shopping to confirm once and for all that this scheme would make generate extra revenue for the Treasury as well as the country.

Once this analysis confirms Oxford Economics' assessment, the Government must move swiftly to reintroduce a modern, streamlined and digital-first tax-free shopping scheme that meets the needs of customers and retailers alike.



“This isn't about bringing posh people to London, but generating jobs for a large number of UK residents.”

“Ask any London taxi driver to name their favourite store and, chances are, they'll say Harrods. It's because they regularly take wealthy (and generously tipping) customers there: just one example of the ripple effect Harrods has on the local economy. Pre-pandemic, Harrods represented 50% of the Middle Eastern spend in the UK. However, our footfall is now 30% below 2019 levels, and it'll probably take us two-three years to fully recover. There's no point whinging; we've got to work harder instead.

With many high-value tourists now shopping in the EU, we've had to make our boutiques different to those in Paris, such as our Prada Chalet pop-up or Gucci x Balenciaga collaboration. Today, if a HNWI purchases a handbag in London at Harrods, it might not be tax-free, but they'll buy it because they know it doesn't exist elsewhere.

We've also repositioned Harrods stock at airport terminals around holiday pick-me-ups. Travellers are no longer buying £1,000 handbags when flying from Heathrow because of £200 VAT savings, but they will buy a pair of swimming trunks or £200 polo shirt instead.

Harrods has also upped its experiential and wellness offerings, opening restaurants by Michelin-starred chefs (Jason Atherton, Tom Kerridge, Gordon Ramsay), a cocktail bar, one of Europe's best hairdressing salons, a lecture theatre, and even challenging customers' perceptions with a skateboarding pop-up.

The Government should recognise many people visit the UK to shop. And this isn't about bringing posh people to London, but generating jobs for a large number of UK residents. The reintroduction of tax-free shopping, on top of the innovative steps we've taken in recent years, would put the UK in a prime position to take advantage of the resurgence in post-pandemic shopping.”

MICHAEL WARD IS MANAGING DIRECTOR OF HARRODS AND CHAIRMAN OF WALPOLE



“Luxury tourism is about the ‘halo effect’ – the impact on local communities”

“People often get the wrong idea about the luxury tourism industry. Ensuring its survival post-Covid is more about the ‘halo effect’ on local communities than it is about maintaining the lifestyles of the rich and famous. Yes, local businesses here in Staffordshire benefit from the international tourists who visit us at World of Wedgwood, but the actual impact they have on the local economy and community goes much deeper than a simple transaction.

Every pound spent by our high-end visitors helps us to protect craftsmanship; from the unique pottery skills that you see in our Barlaston factory (skills that have been passed down from generation to generation) to the hyper-local artists and makers who are supported through our gift shop, Josiah and Co.

Our brand is especially popular with Japanese and Chinese tourists, who – due to our location outside of London and the restrictions on international travel – are scarce at the moment. Ultimately more investment into quality overnight accommodation and transport connectivity is needed to bring high-net-worth visitors here.

When tourists do return, they will have so much to explore. We have recently upgraded our Wedgwood brand experience, which includes the V&A Wedgwood Collection, our much-loved factory tour, pot throwing and retail, washed down with a glorious Wedgwood afternoon tea. In addition, we have a new fine dining restaurant space, Lunar, overseen by the highly acclaimed Michelin-starred chef, Niall Keating (who just happens to be from Stoke!).

Ultimately, World of Wedgwood is a site that fosters creativity, giving the local community opportunities on site that enable us to protect the craft that ‘the Potteries’ was founded on. Premium-paying tourists who connect with the brand at World of Wedgwood are ultimately helping to protect these skills for many generations to come.”

CHRISTIAN BACHLER IS EXECUTIVE VICE-PRESIDENT, FISKARS GROUP, WHICH OWNS WEDGWOOD, WATERFORD, ROYAL COPENHAGEN AND OTHER BRANDS.

2. VISITOR VISA REFORM

The UK’s visitor visa system has the potential to be a constructive tool in encouraging the return of high-spending tourists to the UK. However, the current system fails to capitalise on this opportunity and the Government should reassess the system’s priorities. We should particularly take note of the freer European visa systems, including the Schengen Area visa, and look to replicate the areas which have had real success in lowering the barriers to visitor entry to the continent.

As major spenders, visa waivers for visitors from the GCC states are a good example of how the Government has been responsive to the sector’s concerns and the work championed by the New West End Company (NWE), the Association of International Retail (AIR) and Walpole. Visitors from the GCC states are critical to the UK’s tourist economy, a sector responsible for 40.86 million visitors. Although they represented just 4% of non-EU visitors, in 2019 they accounted for 26% of all tax-free shopping sales. Since the decision to abolish VAT RES, 60% of GCC tourists have suggested that they would reduce the amount of time spent in the UK.

With the expansion of the Electronic Visa Waiver to Bahrain and Saudi Arabia earlier this year, tourism has become easier and more straightforward for visitors from across the Gulf, but the UK’s tourism recovery is still falling behind other European states. Now is the time to double down, further simplify the system and expand it to other countries. In the absence of tax-free shopping, the visitor visa application process and benefits must be at least as good as those of Schengen so as not to further disadvantage the UK. The Electronic Travel Authorisation (ETA) for GCC countries which launches in 2023 will further improve this process – and is very much welcomed – but it is essential that we continue to match any progress other countries make.

Another important segment is Chinese visitors who are the world’s top tourism spenders, with a global expenditure of \$254.6bn (£195m) in 2019 alone, according to the United Nations World Tourism Organisation. For the burgeoning number of middle class and affluent families in China, visiting the UK has real cachet: 883,000 Chinese tourists visited in

“The experience for guests travelling to The Macallan Estate should be as connected as possible”



“In June 2018, The Macallan opened its new Distillery and Visitor Experience at its home in Speyside. Designed by renowned architects Rogers, Stirk, Harbour + Partners, it scooped the prestigious RIAS Doolan prize for the best new building in Scotland and welcomed 110,000 visitors in its first two years.

The pandemic then hit and, like all tourism businesses, we were required to close. As we looked to re-open, we were forced to think about how best to operate and really reward those guests who made the pilgrimage to the home of The Macallan, despite the ongoing challenge of travel.

We moved away from being a general tourist attraction, making our experiences more immersive into the world of The Macallan and became an exclusive hospitality destination for our highest-value consumers.

The Macallan Estate hosted our biggest global launch events, including Tales of The Macallan and most recently Distil Your World, New York.

As we interacted with our guests, we quickly realised how connected they were with our key partners in hospitality across the UK. We now work closely with these key partners, both pre- and post-visit, to further enhance the experience enjoyed by our guests.

The openness for connectivity and collaboration between hospitality businesses in Scotland and the rest of the UK is what will distinguish the UK as a destination worth the extra effort to travel to.”

STUART CASSELLS IS GENERAL MANAGER AT THE MACALLAN ESTATE

2019. Given only 13% of the population hold passports, the opportunity for growth is immense.

Most Chinese visitors make their trip to Europe a multi-country tour. A Schengen visa gives them access to 26 countries. To add the UK to that list, they currently need to obtain a UK visa in addition. This doubles the amount of effort required to apply for these two biometric visas. The UK Government has worked with businesses to develop ways to reduce this burden, such as sharing application material, the introduction of a 2-year visa as standard and a pilot with Belgium to share Visa Application Centres. As a result, UK visitor visa numbers issued in China grew from 200,000 in 2013 to over 800,000 in 2019. However, the Electronic Visa Waiver Scheme, which works well in the GCC states, has not yet been introduced in the Far East.

OUR RECOMMENDATION:

Working with our partners at NWE and AIR we recommend that the UK Government should continue to prioritise making the electronic visa application

process as straightforward as possible for visitors from GCC. Likewise, it should also look to extend the Electronic Visa Waiver to other high-spending markets, particularly in the Far East to reduce the burden of having to apply for both a UK and Schengen visa. In addition, the joint Schengen/UK visa application initiative in China, which resolves the issue of tourists having to apply for two visas when visiting both continental Europe and the UK, should be expanded from the current Belgium pilot to countries with larger tourist numbers such as France and Italy. The Government should also explore introducing a standard 10-year visitor visa for tourists from high-spending markets, as the US has done.

Finally, the Government should introduce a visa for the families of Chinese students studying in the UK. The cost of studying and living in the UK suggests that the parents of the more than 100,000 Chinese students in Britain are likely to be wealthy. A visa that matches the student’s time in the UK (e.g. three years rather than the standard two) would encourage multiple



“Our overseas travellers are eager to get back – enquires at Gleneagles are as high as ever”

“Typically, 35% of Gleneagles’ guests are from overseas, primarily the USA. But during the pandemic, most of our guests were British. During this time, we’ve had to spread the word globally about Gleneagles on social media or on sales trips. Much of our international business comes from high-end travel agencies, so we’ve visited New York, California, Poland and the Czech Republic (HNWI Eastern Europeans are an emerging market) to work with agents and continue marketing to high-value markets in these countries.

We’ve also refurbished our spa and focused on mental wellbeing. Gleneagles’ guests can talk to wellness practitioners about their thoughts and relax by walking outdoors with cocker spaniels and Labradors. We’ve also invested in experiences: our 55 activities include everything from zip-wiring to bug-hunting.

In June, we launched our first city hotel, Gleneagles Townhouse, in Edinburgh. Most overseas Gleneagles’ guests also visit the capital on their Scottish trips, so this is a great opportunity to ‘own’ this journey by offering town-and-country-style packages.

Our overseas travellers are eager to get back. Enquiries at Gleneagles are as high as ever. But ongoing travel restrictions and the Ukraine crisis have seen a slowing in confirmed bookings. People are thinking if they’ve waited this long to travel, they may as well wait a few months more until everything’s clear. When they return, they’ll find Gleneagles has more to offer than it ever did before.”

CONOR O’LEARY IS MANAGING DIRECTOR AT THE GLENEAGLES HOTEL

visits by these wealthy Chinese parents. And, since most Chinese students are studying in universities outside London, this would provide a boost to regional economies.

3. SUNDAY TRADING

High Streets are the centre of our communities and the heart of local and national economic growth. That is why the Government has invested in rejuvenating and regenerating high streets across the UK. However, despite Oxford Street being ‘Britain’s high street’, current UK-wide regulations limit the opening hours of stores of over 250 m sq. on Sundays. This is putting the areas such as Knightsbridge and the West End in London at a disadvantage compared to competitors such as Madrid or Milan, which face few or no restrictions.

The requirement for our foremost shopping districts to close before the UK’s rivals has a serious impact on both the London and national economy. An open and accessible London is a crucial first stop for international visitors preparing to visit other parts of the country and enables London to act as the shop window to the world for goods produced across the UK.

We know that deregulation abroad has increased turnover by 5% in Sweden, increased total revenue by between 3.9% and 10.7% in the USA and had a positive impact on both turnover and quantity of goods sold in Greece. Likewise at home, a New West End Company (NWECC) study found that Knightsbridge and West End shops opening for just 2 hours longer could generate around £260m in extra revenue and over 2,600 jobs.

OUR RECOMMENDATION:

Alongside our partners at NWECC and the Association of International Retail (AIR), we recommend that the Government should examine the benefits of reducing restrictions on Sunday opening hours for stores within London’s two international centres: Knightsbridge and the West End. By adding Knightsbridge and the West End to the list of exemptions to the 1994 Sunday Trading Act, the Government will level the playing field with continental Europe. This move is not intended to undermine Sunday trading regulations throughout the rest of England, but to maximise wallet share of the international visitors who can contribute most to the

UK’s economic recovery from the pandemic, and to show to the world that Britain is open for business.

4. CHANGE THE WORKING VISA SYSTEM

As international Covid travel restrictions have eased, the UK’s bars, restaurants and hotels have started to see the return of international tourists. However, the severe staff shortages faced by many establishments are set to stifle growth and potentially damage reputations. The number of hospitality vacancies has hit a record high recently.

According to the Office for National Statistics (ONS), there were 164,000 jobs available in the sector between January and March 2022. The pandemic has forced many hospitality workers to reassess their work priorities, and the challenge around working visas following the UK’s departure from the EU is causing irrevocable damage. Before the pandemic, more than 30% of hospitality workers were believed to be non-UK European. In London, the figure was much higher: as many as 75% of hospitality workers were estimated to be from the EU.

Many of these workers left during the first national lockdown in March 2020, opting to sit out the pandemic in their home countries. This coincided with the UK exiting the EU while introducing a new raft of immigration rules for workers from the bloc. In order to work in the UK, EU citizens must apply for a Skilled Worker visa. To qualify, they must work in a profession that is on the Government’s list of “eligible occupations”. Most hospitality jobs – such as bar staff, front of house, waiting staff and spa therapists – aren’t on this list, despite many of these roles requiring considerable levels of proficiency and training in addition to highly developed soft skills.

These hospitality shortages are already negatively impacting Britain’s reputation and preventing the hospitality industry offering the elite and bespoke service visitors expect. This could result in high-end travellers choosing destinations such as Dubai over London. The challenge now is to get the balance right: the Government has taken a new approach to granting visas, but this needs to be reviewed, refined and adjusted in order to address the staffing shortages.

OUR RECOMMENDATION:

Urgent changes are needed to the working visa system. The Government should consider introducing measures



“We’ve continually invested with refurbishments and introducing new experiences”

“With this year’s coronation of King Charles III, there is so much to celebrate and many opportunities to woo international visitors back to the UK. Alongside this milestone occasion, other UK tourism initiatives that could be more heavily promoted overseas include Wimbledon, Henley and the Chelsea Flower Show. These events are a perfect opportunity to put the UK back on the international map.

We launched Mayfair Townhouse in December 2020, and international high-net-worth individuals would usually be our strongest group. But the bad timing of the VAT Retail Export Scheme finishing means the UK needs to work harder to tempt HNWI shoppers across the Atlantic. It isn’t just luxury outlets that benefit. Pre-pandemic, tax-free shopping enticed HNWI tourists to stay in London for several days, spending money on theatres and restaurants. In fact, we purposely didn’t create a restaurant at The Mayfair Townhouse and outsource guest transport because we want to encourage them to support local businesses.

Elsewhere in our portfolio, we have continually invested with refurbishments, building treehouses, expanding alfresco dining and introducing new experiences such as the chance to walk sheep at Chewton Glen. We’re more than ready for when international visitors return and we actively look forward to welcoming them. Whether it’s the English countryside or some of this summer’s incredible events, the UK has so much to shout about. I just think we need to shout louder.”

ANDREW STEMBRIDGE IS EXECUTIVE DIRECTOR, ICONIC LUXURY HOTELS, WHOSE COLLECTION INCLUDES CLIVEDEN HOUSE, CHEWTON GLEN, LYGON ARMS, 11 CADOGAN GARDENS AND THE NEW MAYFAIR TOWNHOUSE



“It isn’t just about finding somebody to do the job, it’s about finding someone who is passionate about what they do”

“Goodwood, set in 12,000 acres in the heart of West Sussex, has been home to the same family for 300 years. All the sports at Goodwood exist through the passions of the family: horse racing, motor racing, flying, shooting, cricket, and golf. Supporting these are the hotel, historic motor circuit, private members club, and the largest lowland organic farm in England.

For a business built on events and hospitality, Covid was catastrophic. We had to innovate and be as creative as possible for our partners and customers. This resulted in us designing a ‘made for TV’ show, SpeedWeek, in 2020, broadcast live on ITV1 over the weekend. Combined with the lack of events over the past couple of years and learnings from SpeedWeek, ticket sales for this year’s Festival are up 25%. Our restaurants and hotel have remained busy with 85% – 90% occupancy since the relaxation of Covid restrictions and we haven’t seen a slowdown in that.

However, there are some challenges, mainly the availability of good people. We all understand the reasons why this has happened, but to run our businesses successfully, we need to recruit from a wider talent pool to enable us to find the right people for those roles. Goodwood has a very strong culture: it isn’t just about finding somebody who can do the job, it’s about getting somebody who is passionate about what they do.”

TRACEY GREAVES IS CCO, GOODWOOD

to make visas more accessible for those coming to work in the UK in those industries most affected by labour shortages, namely hospitality and retail. This would be of considerable help to the hospitality industry, which saw a rise of almost 50,000 job vacancies in accommodation and food services in October 2021 compared to pre-Covid levels.

By offering more working visas, the Government would allow hospitality venues across the UK to capitalise on the return of tourism and begin their recovery from the pandemic. Hospitality workers should be reclassified as skilled, making it easier for EU workers to return to their former hospitality jobs. This will aid the sector, help businesses rebuild their reputation for exquisite service and assist in reviving the industry to pre-pandemic norms.

5. SELLING BRAND BRITAIN TO A GLOBAL AUDIENCE

The UK offers an amazing spectrum of experiences stretching across the whole country with a wide appeal to multiple generations of visitors from all over the world. The Government should work closely with organisations such as Walpole and others to provide promotional support to the UK’s beleaguered tourism industry. For so long a crucial source of jobs, skills and economic growth, tourism in this country has been crippled by the one-two punch of the pandemic and the wider policy environment.

The marked decline in international visitors – VisitBritain’s 2022 forecast estimates numbers only returning to 52% of 2019 levels – has endangered countless small independent brands which rely on tourism for a large portion of their income. In particular, job losses will be acutely felt in regional communities which are typically home to smaller, highly-skilled manufacturers who cater to the needs of the sector. The impact on the UK’s reputation as a hub for international business and leisure will be profound if action is not urgently done to attract international visitors.

Walpole has led a number of campaigns seeking to celebrate the UK’s tourism industry, notably the ‘Love Letters from Britain’ campaign launched in July 2021, showcasing the best of British entrepreneurialism, creativity and leadership in sustainability around

“Cities like New York are spending big to promote themselves. We must do the same”



“Historic Royal Palaces (HRP) is an independent charity. So, whilst we report into the Department for Digital, Culture, Media & Sport (DCMS), we’re self-financing and look after six of the UK’s greatest palaces: the Tower of London, Hampton Court Palace, Kensington Palace, the Banqueting House on Whitehall, Kew Palace, and Hillsborough Castle.

In 2019, we had revenues of £110m; revenues collapsed to £15m in 2020. We had built up £40m in reserves but still needed a loan of £40m from the Cultural Recovery Fund to invest in new galleries and improvements. The Platinum Jubilee was good for tourism and the King’s Coronation will be even better, but pre-Covid we had 5m visitors annually, so we still have a long way to go.

Many of our customers are international, including 75% of visitors to the Tower of London. We’re seeing good numbers from North America, but not so good from Europe.

Pre-Brexit, European school pupils (Germany, France, Spain) could use ID cards or a group passport. Now they all need passports, which is affecting school numbers.

Tourism is ultra-competitive, so a group of tourism-related businesses in London have pooled our money to ask for match

funding from the Mayor and central government to run a campaign in North America and Europe this summer.

Cities like New York are spending big in the UK to promote themselves. If we are to attract much-needed high-spending tourists, we must do the same.”

DAN WOLFE, COMMERCIAL DIRECTOR, HISTORIC ROYAL PALACES


the world via a series of short documentary style films. To build on the existing platform we recommend developing a third series to further showcase the breadth of the tourism experience here in the UK – featuring the hotels across the country, the opportunities around wine or whisky tourism, plus the many cultural experiences that the UK has to offer.

The success of these campaigns, however, is ultimately contingent on backing from policymakers. The Government can play a key role in reinvigorating UK tourism by throwing its full support behind industry initiatives and engaging with sector bodies to arrange high-end visitor experiences.

OUR RECOMMENDATION:

The government should work closely with Walpole and other UK organisations on a new marketing

initiative aimed to bring back the global high net worth tourist. We recommend investment into a series of promotional, multi-brand tours that can be marketed to the international community and which show not only the attraction of the UK to the high-end tourist, but also the value of the ecosystem.

For example, we could arrange a ‘Luxury Scotland’ tour in which international visitors (including influencers and press) could take the Scottish Pullman to Edinburgh and then onto Gleneagles and Macallan. Or a heritage road trip through the countryside of the South of England to Chewton Glen and then to Goodwood as a guest at the venue’s Festival of Speed or Revival weekend to experience the finest British hotels and must attend sporting events in our country’s most beautiful estates. 

About Walpole

Walpole is the UK's only business association for luxury brands, it speaks on behalf of more than 250 of Britain's finest brands across a wide range of sectors, which collectively are worth £48 billion to the UK economy and contribute 2.4% of the UK's GDP. A not-for-profit organisation, Walpole members include Alexander McQueen, Burberry, Claridge's, Farfetch, Glenfiddich, Harrods, McLaren, Rolls Royce and Wedgwood and is recognised in both Westminster and Brussels.

With a mission to protect, promote and develop the business of luxury in the UK, Walpole brings its members together to collaborate and connect both digitally and in-person. Key events include the annual British Luxury Summit and the Walpole British Luxury Awards. It also provides a collective voice for luxury on key topics, commissions industry-leading research and works with government on issues affecting the sector.

Walpole runs the flagship 'Brands of Tomorrow' programme to develop new British luxury brands – alumni include Orlebar Brown, Nyetimber, Bremont and Emilia Wickstead, and works with the London Business School MBA programme to help develop the talent of the future with 'Luxury Leaders of Tomorrow'. Walpole also spearheads the British Luxury Sustainability Manifesto, with the vision of making British luxury the global benchmark for luxury sustainability.

thewalpole.co.uk

About ECCIA

The European Cultural and Creative Industries Alliance (ECCIA) is composed of six European cultural and creative industries organisations: Altagamma (Italy), Circulo Fortuny (Spain), Comité Colbert (France), Gustaf III Kommitté (Sweden), Meisterkreis (Germany) and Walpole (UK), who between them represent more than 600 brands – mostly SMEs – and cultural institutions.

Based on art, culture and creativity, ECCIA's work is underpinned by continuous innovation, a relentless focus on quality and craftsmanship, highly skilled employment and strong export abroad. Our members strive for excellence and the highest quality in all of their products and services, which includes the experience they strive to offer to consumers.

For more information about The European Cultural and Creative Industries Alliance visit

eccia.eu

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