

## Minutes of meeting of the VisitScotland Board held at Ocean Point Edinburgh on Friday 28 September 2007

**Present:** Peter Lederer (Chairman)  
Pat Buchanan  
Brian Houston  
Alex Pagett  
Willie Dunn

**In attendance:** Philip Riddle (Chief Executive)  
Eddie Byers (Director of Industry Engagement)  
Riddell Graham (Director of Strategy, Partnerships &  
Communication)  
Willie Macleod (Director of Visitor Services & Quality)  
Ken Neilson (Director of Corporate Services)  
Malcolm Roughead (Director of Marketing)  
David Anderson (Head of Human Resources)

Chris Maguire (Minutes)

**Apologies:** Lesley Sawers  
David Noble (Director of Network Operations)

### 1. INTRODUCTION

The Chairman welcomed everyone to the meeting and introduced David Anderson (DA), Head of Human Resources, to the Board.

The Chairman then reflected on the discussions from the previous evening and the opportunities presented by the aligning of VisitScotland with the enterprise networks. The importance of being aware of all the developments and staying ahead of them was emphasised as was the need to consider any changes to the organisation or strategy to adapt to the changes. It was agreed that the Senior Management Team (SMT) would take the lead on thinking in this area and would revert to the Board on any changes at a later date.

### 2. MINUTES OF BOARD MEETING HELD ON 17 AUGUST 2007

The minutes of the meeting held on 17 August 2007 were approved.

### 3. MATTERS ARISING

### **Intellectual Property**

Willie Macleod (WM) provided an update on discussions with VisitBritain in relation to the development and promotion of a green tourism business scheme for England. Discussion then followed on the Green Tourism Business Scheme (GTBS) and the need to continually ensure its effectiveness. The Chairman asked for an update on the current contract. WM replied that the contract, which has approximately 3 years to run, does not involve a financial transaction between VS and the contractor, Green Business UK, to run. Appropriate tendering arrangements in line with tendering guidelines would be put in place in advance of the expiry of the current contract to ensure best value for the organisation. WM also mentioned that the intellectual property in the GTBS assessment process rests with the contractor, GBUK.

## **4. MARKETING STRATEGY OVERVIEW**

Malcolm Roughead (MR) introduced a paper that provided an overview of how VisitScotland's marketing strategies are developed, analysed and enhanced and how they contribute to the economic growth of the country. The importance of considering the strategy as a whole was emphasised as was the fact that it is difficult to consider elements of the strategy in isolation, particularly as campaigns are no longer project-based around a certain time of year. In addition, the strategy is continually being updated, based on evaluation and campaign metrics.

He emphasised the integrated approach of the various marketing departments: UK & Ireland, International, Business Tourism and Consumer Insights. The Board heard how the individual Departmental Plans are developed as a result of the 'top down' and 'bottom up' approaches and are a summary of the individual market and brand plans. The 5 key stages involved in the creation, development and delivery of the Departmental Plans are: Process; Content; Delivery; Evaluation and Analysis. The driving force, at each stage, is a focus upon the Brand, The Consumer, Content, Communication Channels and Marketing Objectives.

The Board was guided through the Brand Strategy Flowchart that outlines the linkages between the consumer brand proposition and delivery, plus the linkages to other Directorates and the industry. MR outlined the Brand Wheel which is applied by all departments with 3 constants running through the activity: the Brand Essence: the Proposition and the Positioning. He explained that the Brand Wheel had been revisited in the last 6 months and updated with research, and that it was still as relevant now as it had been when it was first developed. The strength of the brand is measured on a quarterly basis through brand tracking studies which allows measurement with our competitors, and across a number of different dimensions such as 'fun', 'romantic' and 'safe'.

MR outlined how the segmentation work was beginning to filter through the brand work and that all departments now have segmentation models. In addition, that the segmentation activity would influence the future structure of the UK team. He stated that it was crucial that the brand was at the heart of everything and that its values must permeate the organisation. The original concept behind Pride and Passion had been to encourage industry to adopt and put into practice the brand values. The Board was

told that to unlock brand potential it was important to follow a number of key steps, which come together to form a cycle. The steps include: understand brand/business; understand the competitors; understand consumer needs; know their lifestyle and habits; meet consumer needs; communicate with consumers in the most appropriate environment and, analyse our performance. By following these steps, the maximum return on investment would be delivered, however, there was a need to get a balance between investing in short-term wins and investing for long-term benefit.

MR outlined that one of the key challenges going forward is to ensure that local marketing/brand activity follows the same development process and to achieve consistency at the national, regional and local levels. However, if the segmentation activity and portfolio approach is to be accepted by local areas, VisitScotland needs to make it come alive and get local areas to identify their roles. It is only by doing this that VisitScotland can achieve the 'national dish with local flavour's' model.

MR emphasised the fact that content is at the heart of what we do; that this is particularly strong in relation to e-communications and that it is this format that is leading the way in terms of technology development. MR outlined how segmentation activity helps inform content decisions. He informed the Board that VisitScotland invests heavily in Consumer Insights and Understanding across all teams and possesses massive insight into needs, motivations, influences, trends and the decision-making process. He stated that this information has the potential to bring significant added value to sister agencies.

In relation to the measurement and evaluation of campaign activity, MR outlined how all activity is measured and evaluated with a lot of effort put into the evaluation of activity. In particular, it is important to strike the correct balance and make sure that the right things are being measured. Alex Pagett (AP) asked how much was spent on evaluation. MR replied that around £1.5 million to £2 million was spent on evaluation which equated to around 10% of the marketing budget. The biggest costs are UKTS and IPS and it is difficult for a variety of reasons to move away from using them. Discussion followed on public sector statistics and their quality. Brian Houston (BH) added that he felt that a 10% spend on evaluation was reasonable and that it was important to remember that campaign evaluation was separate from UKTS and IPS issues. MR agreed and added that they were often used to measure VisitScotland's performance, but they actually measure the overall performance of the industry. In relation to measuring VisitScotland's performance, he stated that a range of indicators should be used: such as propensity to visit, brand awareness and so on.

BH stated that he felt that it was an excellent paper, which provided a very helpful insight into the marketing strategy. However, one area that could potentially be strengthened was the link between 'industry behaviours and delivery' and the 'brand positioning and proposition'. MR replied that this is being done by all of VisitScotland's directorates. Eddie Byers (EB) added that if one was to overlay the marketing strategy with VisitScotland's wider strategy, the linkages would be far more evident. BH stated that he felt that the bit missing was how the industry could add value in delivering the brand.

AP added that he had raised the issue of spend because VisitScotland's resources are limited and he was concerned that this could be having an impact on VisitScotland's activity and result in old materials being used. For example, recent coverage in the newspaper, Scotland on Sunday, had focused on this matter. MR replied that VisitScotland puts a lot of effort into protecting the brand. Further discussion of this subject followed.

The Chairman asked if there was anything in the marketing mix that the organisation is missing. MR replied that the organisation is not missing a trick, but that one of the key challenges was to up-weight activity. For example, there is a need to do more in relation to segmenting the international markets.

## **5. COMPETITIVE ENVIRONMENT**

Riddell Graham (RG) introduced the competitive environment paper which provides an update on trends in Scotland and across the globe. RG updated the Board on the January to May UKTS figures that show an increase in visits and trips of +4.5% and +10.2% respectively. Therefore, Scotland's share of the UK market in terms of spend has increased marginally from 13.5% to 13.9%. RG updated the Board on the figures from the Scottish Accommodation Occupancy Survey for July 2007. This showed an increase in occupancy levels for Hotels (+3%) and Guest Houses/B&Bs (+1%), with a decline in self-catering (-1%), Camping & Caravanning sites (-2%) and Hostels (-4%) on the same month last year.

RG highlighted the preparations being made by Ireland in advance of its new global advertising campaign and that Tourism Ireland has appointed Simon Gregory to one of its most senior marketing positions. In addition, Tourism Ireland has established an Expert Group to help the organisation in a major review of the Irish tourism brand.

RG drew the attention of the Board to John Lennon's contribution within the paper on innovation, value and quality, in relation to Scottish tourism. In particular, that there appears to be a lack of an 'innovation mindset' and appreciation of the need to drive quality improvement. This is largely due to the background of many owner managers who come from a 'capability background' or via a lifestyle choice. In summary, the process moves from capability to business with the customer at the end of the process, not the beginning.

AP asked about the impact of Foot and Mouth Disease and Blue Tongue Disease. RG replied that there was no indication so far that there had been any impact on Scottish tourism or propensity to visit Scotland. AP referred to the additional funding of £1 million that VisitBritain had received from the Department of Culture, Media and Sport to promote domestic tourism within "the UK" and asked if VisitScotland had a contingency plan in place. RG replied that the Avian Flu outbreak in Scotland last year effectively demonstrated that VisitScotland has a highly effective crisis management planning process in place.

The Board noted the paper.

## **6. VISITSCOTLAND.COM**

MR highlighted to the Board that the eTourism Business Plan is currently being updated. In relation to web-in-a-box there have been over 300 referrals from VisitScotland and so far, this had led to 160 conversions.

## **7. EVENTSCOTLAND**

The Chief Executive updated the Board on recent developments in relation to Homecoming 2009 and that the project is currently in a transition period.

The Board noted the paper.

## **8. CHIEF EXECUTIVE'S OVERVIEW OF KEY DEVELOPMENTS**

The Chief Executive introduced a paper that outlined key developments since the previous Board meeting. Topics covered in the paper included: Sage Line 500- CRM Project; Autumn Gold Campaign; New Golf Research; Edinburgh and Glasgow Named in Top 5 UK Cities; NDPB Conference and Tourism Stakeholder Event.

The Chief Executive drew the Board's attention to the fact that the Scottish Parliament's Petition Committee had concluded its consideration of the ADGAP petition. The Committee had decided that there was no appetite for returning VisitScotland.com to public ownership and on that basis they had formally closed the petition.

In relation to item 7 on the NDPB Conference, PB asked for an update on pay arrangements. David Anderson (DA) replied that discussions were continuing with the Scottish Government's Pay Unit and that they seemed to be more constructive than had previously been the case. He added that one of the issues was that the Pay Unit had no compensation expertise and that this was something that could feature in any future discussions in relation to options around shared services.

Willie Dunn (WD) updated the Board on the recent announcement on the enterprise structures from a local government perspective.

## **9. HOSPITALITY ASSURED**

RG introduced a paper that updated the Board on the progress being made towards VisitScotland achieving recognition as a Hospitality Assured organisation. He added that VisitScotland had enjoyed very good support from the Institute of Hospitality (IoH), the award's sponsoring body, and that awareness across the organisation will increase as we move towards the assessment. The Chairman added that he had received very good feedback on VisitScotland from the IoH and on the progress being made in Scotland in general.

The Board noted the paper.

## 10. EUROPEAN FUNDING

RG introduced a paper that updated the Board on the progress being made by VisitScotland to maximise its involvement in the new EU structural funds programme. MR drew the attention of the Board to Appendix 1, which sets out the project proposals. He noted that Lynn Hamilton, VisitScotland's European Officer, had been working very closely with colleagues in the Marketing Directorate in relation to the marketing proposals. He added that very positive feedback had been received and that all the proposed projects appeared to be ticking the right boxes with representatives from the Highlands & Islands and Lowlands & Uplands programmes. Ken Neilson (KN) added that the internal audit team had been involved from the outset and that the focus of their involvement will be from the application process to draw down.

The Board noted the paper.

## 11. FINANCE PAPER

KN introduced the paper which summarised:

- progress in the preparation of the year end accounts;
- the VisitScotland VAT environment;
- the financial position of VisitScotland as at 31 July 2007; and,
- budget reforecast to 31 March 2008.

KN informed the Board that income in the current year is down against budget with the principal areas being in retail and local authority income – overall, the budget reforecast showed a potential deficit of £800,000. He added that this can largely be explained by budget profiling, except in the case of retail, where it would appear that there has been a general decline in TIC retail income. The Chairman stated that retail seems to be an ongoing issue and asked if there was a need for external expertise.

WM replied that there was a number of reasons for decline in retail sales, which included declining TIC footfall, and that there was an issue of expertise within the organisation. He said that he would be happy to bring forward a paper to the next Board meeting and that discussions were ongoing with David Noble. The Chief Executive added that the season is essentially over and that the organisation now has a window of opportunity before Spring 2008 to address this matter. He added that specialist external advice had been taken as part of the Information & Sales review and that a number of new tactics had been tried. Thus far, the evidence was of mixed success. Therefore, the time was right to consider a range of options. The paper to the next Board meeting is an opportunity to explore them in further detail.

KN informed the Board that the measures required to establish a break-even position by 31 March were currently under consideration and that a full reforecast would be undertaken based on performance to 30 September.

The Board noted the paper.

**Action: A paper on retail strategy to be tabled at the next Board meeting.**

## **12. AUDIT COMMITTEE MEETING**

This item was introduced by KN who updated the Board on the meeting of the Audit Committee the previous day. He reported that both Network Tourist Board Accounts have received a clear audit report and that he has two reports from the auditors; one for those charged with governance and the second a report that will become publicly available. KN added that he had been very pleased with the progress that had been made since last year and that this was reflected in the very limited comments from the external auditors. No grade 1 issues had been identified.

KN informed the Board that the biggest issue related to FRS17 and the reporting of pensions. The way that the auditors have interpreted the guidelines is that they have converted a change in valuation into a cash event. Wider discussions will have to take place on its implications. BH added that the Audit Committee has agreed to make a statement on this in the management statement that will accompany the accounts. He added that, in his view, this is something that neither the Scottish Government or VisitScotland have any control over and could prove to be very significant, so it is important to make it as visible as possible. The Chairman added that the Audit Committee has agreed to write to the Scottish Government to formally raise this as an issue. BH added that this could impact on future funding, although it impacts only on the Local Government Pension Scheme, which helps simplify the issue.

The Board noted the VisitScotland and Network Board accounts with the intention of recommending them to the full Board for approval at a date in October, once eTourism Ltd had signed its accounts and received a signed audit certificate.

**Action: Board meeting to be arranged to approve VisitScotland and Network Board accounts.**

## **13. PROPERTY MATTERS**

KN introduced a paper that sought approval from the Board on property related matters. The Board asked to approve the proposal to relocate the VisitScotland Orkney Office and TIC to a new Transport Centre constructed by Orkney Islands Council. The Board approved the lease on the basis that the commitment from Orkney Island Transport Department, to provide funding of £10,000 for providing travel advice, lasts as long as the lease; and, that the lease should have a break in VisitScotland's favour after 10 years.

KN set out the background to Dunblane TIC and noted that the landlord has offered terms for early surrender of the lease on 30 September 2007. The Board agreed to the surrender of the lease. The Board also agreed to the surrender of the lease on Kinross TIC; assignation of the lease at Albert Road, Ballachulish; extension of the lease of Ardgartan TIC to 31 March 2008; and, the sub-let of Unit 1, Ballater Station to Cairngorms National Park Authority to 13 November 2008 and yearly thereafter, under the terms stated in the paper.

#### **14. VISITSCOTLAND BOARD MEETINGS 2008**

RG introduced a paper that set out a suggested timetable and programme of Board meetings for 2008.

AP asked whether this was the right time to be reducing the number of formal meetings. BH added that he felt what had been proposed was a sensible and logical split, but that it would be important to bear in mind the possibility of further ad hoc meetings. The Chairman added that under the proposal the proposed meetings could be longer, and that it would be inevitable that subject specific meetings would be required. BH added that the Board may, in response to specific issues or areas such as Human Resources, have to be prepared to delegate decisions to a small quorum as long as governance issues could be dealt with.

The Chief Executive stated that the Senior Management Team (SMT) receives a tremendous number of calls to attend a wide range of events. If Board members were available to take the lead on some of the meetings that the SMT can not attend, it would assist with stakeholder management and local engagement. The Chairman agreed and stated that some of these events could be allocated to non-Executive Directors on a geographical basis.

DA suggested that to assist with 'talent management', cross-functional teams could be invited to give very brief presentations to the Board about the issues they are facing and to make a recommendation. The Chairman agreed that it would be useful for the Board to be aware of the barriers that staff are experiencing and that the Board could add value by helping to remove them. DA added that the key point was to establish a dialogue between the Board and staff, so there were alternatives to a presentation and that this sort of activity could assist with achieving culture change.

The Board approved the paper as tabled with the following amendments:

- Board members to be used on a geographical basis;
- A series of seminars on the levers for growth should be developed with input from the other enterprise agencies;
- Board meetings should predominantly take place in Edinburgh with Inverness being the alternative option; and,
- Board dinners should be used to focus on non-statutory VisitScotland business.

**Action: Dates of VisitScotland's 2008 Board meetings to be circulated at November Board meeting**

#### **15. PROCUREMENT APPROVALS**

KN introduced a paper that sought approval to tender for the provision of:

- a) Media Agency Services for Pan European Campaigns;
- b) Creative Agency Services for Pan European Campaigns;
- c) Search Engine Optimisation Services; and,

d) UK Public Relations Agency for Business Tourism Unit (tabled on the day).

AP asked for further background on the UK Public Relations Agency application by the Business Tourism Unit. MR replied that the role of the agency was to allow VisitScotland to tap into senior Chief Executives and Global Scots and to raise awareness of Scotland as a business tourism destination. Further discussion followed on the role of the agency, rate card and the auditing process. BH made the point that this was essentially a process issue and that the Board should be dealing with procurement approvals as routine business, having received them in advance.

The Board requested a further paper outlining the process for dealing with procurement issues in detail. The Board felt that there was currently a lack of follow-up on the projects that they had agreed could proceed to tender. The Chairman added that the Board had effectively approved the decision to tender by approving the Operating Plan. The result is that the Board may not be examining the correct point in the process. KN informed the Board that the internal audit team is currently reviewing the process and that he would ask them to focus on the governance issues in particular. He added that there is a reporting loop in place that has not happened yet, as tenders approved by the Board were still in the process of being let.

**Action: A paper outlining the procurement process in more detail to be tabled at a future Board meeting.**

## **16. STRATEGIC ENVIRONMENTAL ASSESSMENT**

RG introduced a paper to seek Board approval for an update to the Corporate Plan and Adoption Statement as a result of the Strategic Environmental Assessment (SEA) process. He informed the Board that any issues that were raised outwith the remit of VisitScotland had been passed onto the Scottish Government for response.

The Board approved the update to the Corporate Plan and the SEA Adoption Statement.

## **17. Environmental Policy Report**

RG introduced a paper that sought the Board's approval for the content of the 2006/07 report on performance against VisitScotland's environmental policy targets. He informed the Board that if the report is approved it will form part of the 2006/07 Annual Review.

The Board approved the report.

## **18. CHAIRMAN'S REPORT**

The Board noted the paper.

## **19. CHIEF EXECUTIVE'S REPORT**

The Board noted the paper.

## **20. PROGRESS AGAINST OBJECTIVES**

The Chief Executive updated the Board on the Progress Against Objectives paper, which provides an update on VisitScotland's activities. BH welcomed the paper as it provides a good overview of current activities. He added that it might be useful to focus on two things that are being delivered well and two activities that are not developing well. The Board agreed that a subjective Red, Amber and Green scheme would be helpful.

The Board noted the paper.

**Action: Updated Progress Against Objective paper to be tabled at the next Board meeting.**