

*Minutes of meeting of the VisitScotland Board
held at Gales Hotel, Irvine
on 1 September 2005*

Present: Peter Lederer (Chairman)
Michael Cantlay
Donald Anderson
Donal Dowds
Brian Houston
Alex Pagett

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)

Lynne Raeside (Minutes)

Apologies: Pat Buchanan
David Noble

1. INTRODUCTION

The Board reflected on discussions of the previous evening with members of the Board of the Scottish Museums Council (SMC). The SMC is keen to be more involved in tourism and is seeking support and direction from VisitScotland. A number of opportunities will be followed up, including Challenge Funding, allocation of a Business Relationship Manager, and commitment to a joint meeting between respective marketing departments. The Chairman suggested that a case study of the Kirkcudbright exhibition should be written up to demonstrate to museums the importance of tourism.

2. MINUTES OF BOARD MEETING OF 1 JULY 2005

The Minutes of the Board meeting of 1 July 2005 were approved.

3. MATTERS ARISING

Welcome Tsar Report

Riddell Graham (RG) reported that the Scottish Executive has asked VisitScotland for a progress report on the recommendations made in the Welcome Tsar's Report. Progress reports will be sought every six months. VisitScotland is currently fulfilling

its obligations under the report. The Board asked what progress other organisations were making in meeting the recommendations.

Action: Progress of the other organisations to be raised at forthcoming meeting with Tom McCabe MSP, Minister for Finance and External Relations.

E-update

RG reported that the e-update currently goes out to 4,000 tourism businesses. Work has been carried out to update the list and the next edition will go out to approximately 8,000 tourism businesses.

National Convention

RG reported that the event is being held on Wednesday 9 November. VisitScotland is leading on the morning session, with the focus being the future customer; CoSLA is leading on the afternoon session, the focus being on events. RG reported that BT's Marketing Director will be presenting and facilitating the VisitScotland session.

IT

Alex Pagett (AP) asked whether concerns relating to investment in IT had been raised with the Minister. The CEO noted that these concerns had been raised in the context of visitScotland.com. He suggested that until VisitScotland has completed its current IT investment programme, it would be premature to present the Minister with proposals on future IT requirements. In the meantime, however, he agreed that the Minister would be kept apprised of the need to ensure VisitScotland has state-of-the-art technology. In response to a question from AP, Malcolm Roughead (MR) confirmed that, of NTOs, New Zealand probably has the best technology, followed by Australia. However, the CEO noted that the best examples of the use of latest technology are not found in the tourism industry; the best examples are amazon, google and ebay. It was agreed that these examples are the ones to which VisitScotland should be aspiring, although it was also noted that it would be unlikely that VisitScotland could achieve those levels of technology alone. It is more likely that VisitScotland would have to move forward with partners.

Donal Dowds (DD) and Brian Houston (BH) asked whether the Scottish Executive supported VisitScotland's aspirations in respect of new technology and whether additional funding would be made available to meet these. It was suggested that the Board should agree a strategy on technology which can be presented to the Minister.

Action: A strategy on technology should be discussed and agreed at the Strategy Away Day in October.

4. CHAIRMAN'S REPORT

Meeting with Scottish Enterprise and Highlands & Islands Enterprise

The Chairman reported that a positive meeting had been held with Scottish Enterprise and Highlands & Islands Enterprise. Work is ongoing to agree on the roles / responsibilities of the respective bodies in respect of tourism. A draft paper has been circulated. The Chairman noted that the current chairman and chief executive of SEnt

are more open to constructive discussion about the roles of the respective organisations.

Donald Anderson (DA) suggested that VisitScotland should make the case for tourism to be wholly the responsibility of VisitScotland. However, Mike Cantlay (MC) expressed doubts, arguing that there are certain roles that VisitScotland is not equipped to undertake.

The Chairman noted that the current tri-partite group is a useful mechanism to allow the three organisations to come together to discuss tourism and to agree on where the focus should be. It is then the responsibility of the respective organisations to deliver on what has been agreed. The next meeting of this group is in October.

5. CHIEF EXECUTIVE'S REPORT

The Chief Executive presented his report which reflected on activity and key highlights over the summer months. In response to DD's request for further information on the Great Links initiative, Willie MacLeod (WMac) explained that this new project aims to differentiate the Scottish golf product from competitors, creating the equivalent of "bagging" Munros, thereby building up repeat visits. It also aims to spread the benefits of golf tourism from the Championship courses to lesser known courses across Scotland.

The Chairman noted that press feedback during G8 had confirmed that Scotland, along with London, is the key area of interest in China following granting of Approved Destination Status (ADS) for the UK. It was recognised that investment in this market would be for the longer term.

6. PROGRESS AGAINST OBJECTIVES

MR reported that he had presented to the Scottish Executive's policy advisors from across all departments. This was a good opportunity to promote tourism is everyone's business messages, demonstrating that tourism is an economic generator which also impacts on health and social inclusion. Feedback from the session will follow.

MR noted that Euan Colvill has been appointed as Head of Long Haul Marketing. His background is in CRM and web management and he comes to VisitScotland from S1. A Cantonese speaker and two Russian speakers have also been appointed as part of VisitScotland's strategy to address these two markets.

Autumn Gold has now been launched. With a budget of £1.2m, this is the largest ever Autumn Gold campaign. There has been buy-in from local offices, demonstrating the benefits of national and local working together.

The first draft of the Print Strategy is almost complete and will be presented to the Management Team shortly. Initial findings have shown that 13 million items of print are produced at a cost of £3m. The opportunities for rationalisation are therefore

significant. DD urged that the organisation capitalise on its buying power. MR confirmed that steps are already being taken to progress this.

RG reported that the Partnership Agreement with the City of Edinburgh Council had now been signed. Of the 32 local authorities, 21 agreements have been signed and within the forthcoming weeks, a further nine will be complete. Only two are outstanding. This equates to £6.5m of funding. Negotiations for next year's agreements will start shortly.

RG also reported that a dinner with the Scottish Daily Newspaper Editors was planned. This represents a huge opportunity to hear from key opinion formers and for VisitScotland to communicate its key messages. Following recent media coverage, the Communications Department has issued a correction to the SNP's press release which contained out of date international passenger figures. In addition, contact has been made with the Edinburgh Chamber of Commerce following the Scotsman article which reported on the setting up of a Chamber committee on tourism. VisitScotland welcomes industry initiatives of this nature and the network office will be meeting with this group and others.

DA agreed that the establishment of the Chamber committee should be supported,. He also expressed concern about the formal and bureaucratic nature of the Partnership Agreement. The Chairman hoped that when trust was built Agreements would become less bureaucratic.

The Chief Executive advised the Board that the Edinburgh Tourism Action Group would like to present to the December Board meeting. The Board welcomed this opportunity.

WMac reported that TIC performance will form part of the formal reporting from the next Board meeting. To end of July there have been 3,250,000 visits to TICs, generating £3.5m gross revenue. Although there has been a 3% drop in visitors to TICs, the drop occurred mainly in July and it is possible that this could be attributed to G8. April to June figures demonstrate a 1% increase in visitors and August, anecdotally, has been much busier. More comprehensive data will be available at the next meeting.

Ken Neilson (KN) reported that approximately £1m has been received from local authorities to date. He noted that a positive meeting had been held with Customs & Excise regarding VAT recovery. He also noted that the first ERDF audit was taking place. Initial results have identified no problems.

AP reported that he had attended a meeting of the Pension Trustees in July. Capita is now responsible for administration of the Tourist Boards' pensions. AP noted the need to ensure that VisitScotland's Trustees are better prepared for these meetings.

7. VISITSCOTLAND.COM

MR reported that visitscotland.com is performing well in terms of traffic to the site. It remains in the top 20 most visited travel sites and receives six times as much traffic as visitengland.com and four times as much traffic as the Irish site. Content on the site is improving and is deeper and richer. There remains, however, a 45% drop off rate from “look” to “book”, a potential opportunity to convert interest into actual bookings worth up to £12m.

KN reported that financially visitscotland.com is behind plan. However, there has been a 13% growth in sales to July compared with the same period last year. It is possible that the original plan was too ambitious. It is also the case that fixed costs have been high, although they are beginning to come down. VisitScotland is working with visitscotland.com to consider models which will help to increase their revenue. KN confirmed that the models show cash positive in 07/08 and break even in 09.

DD asked whether further capital would be required in order to help visitscotland.com to grow. He also asked whether it was viable for a public sector organisation to retain this level of involvement in a private sector company or whether an exit strategy should be prepared.

The Chief Executive confirmed that more investment would be required to upgrade technology in line with latest developments.

The Minister has been kept fully apprised of recent developments regarding visitscotland.com and understands changes may be required although it is unlikely that additional funding will be made available.

We remain of the view that VisitScotland should be involved with visitscotland.com as e-tourism is a key feature of Scottish tourism.

Continued partnership will be essential however, particularly in terms of technology supply.

The Chairman noted that there is interest in developing a Scotland-wide portal. He suggested that we should take into account the Scottish Executive’s ambitions if we are considering re-structuring.

AP asked whether the issue was lack of marketing. MR confirmed that VisitScotland markets the website on all its activity. He explained that there is interest in the website but that web conversion was disappointing. This is partly a problem with functionality. At this stage, visitscotland.com does not have the necessary money to invest in this to succeed.

In the short term it was agreed that VisitScotland should take more leadership in order to help address the reputational problems. The Chief Executive also noted that recognition should be given to how much has been achieved: an integrated system, involving TICs. Now is the time to take stock before moving forward. This might involve additional funding and might involve additional risk. A paper outlining proposals will be presented to the Board.

Action: An early meeting should be convened with ATOS and a paper should be submitted to the Board as soon as appropriate.

8. EVENTSCOTLAND

The Chief Executive presented an update on EventScotland's activities. He reported that David Williams would be attending the December Board meeting.

9. CHIEF EXECUTIVE PROJECTS OVERVIEW

The Chief Executive reported that progress had been made on all projects. He noted that the Culture Change project is a long term programme. Staff need time to settle into the new structure before genuine culture change can begin to take effect.

The CEO noted that the integration process has been completed with very few compulsory redundancies. Job matching has almost been concluded and the Unions have been very supportive.

The Information and Sales Strategy is making progress. It is a larger project than had originally been envisaged but it is moving forward well.

Industry Engagement and the Administration Review are also moving forward well.

The review of European Funding has also provided positive results.

10. CULTURE CHANGE

The Chief Executive reported that the staff survey will be conducted in October. It will provide a baseline for the culture change programme. The Board recognised that the excellent results of previous staff surveys would not be replicated at this particular time.

A new programme of performance management training is being carried out which is crucial to the idea of matrix management. This will help to address issues regarding people reporting along different lines. DD noted that good performance criteria linked to personal objectives are essential if matrix management is to work. The Chief Executive acknowledged this.

A more comprehensive learning and development programme is being developed in line with an extensive internal communications initiative. On the back of all this work, VisitScotland is going for IIP re-accreditation in October 2006.

11. EUROPEAN FUNDING

MR noted that the level of management and professionalism in securing European funding across the network has been excellent. There are no issues in terms of delivery of projects. He reported that 66 posts across the former ATBs had been aligned to European funded projects. Some staff had been moved to permanent

VisitScotland jobs. Where this has happened, they have not been replaced. In response to a question from DD, MR confirmed that any new applications for European funding will be channelled through VisitScotland.

12. INFORMATION AND SALES STRATEGY

The Board received a presentation from WMac in which he reported on progress. He noted that the project will be carried out in three phases and that implementation will be organic. A project office has now been set up. A project manager and a communications manager have been appointed. One of their first tasks will be to identify the risks of the project so they can be managed.

Consumer research has been undertaken by Progressive and involved 220 interviews. More in-depth interviews will now be carried out. The consultants are also drawing on research carried out by Susan Dickie, VisitScotland's Consumer Insights Research Manager.

The following appointments have also been made:

- Competitive benchmarking – Roger Carter
- Analogous industry benchmarking – Alastair Swanson
- Technology and distribution channels – Roger Carter

The retail assessment work has been re-tendered. An in-house team has agreed the terms of reference for the financial analysis and the property review.

Progress is being made with the shared knowledge management system with visitscotland.com. The project office is also contributing to the print and web reviews. Consideration is being given to managing the internal distribution of information to TICs.

Agreement is still to be reached on the following:

- Scope of HR work, including writing of job descriptions
- Approach to branding and marketing of future services
- Involvement of staff, industry and other stakeholders
- CRM

A project steering group is being set up. Agreement has still to be reached on the terms of reference. It will involve a wide range of stakeholders. BH felt that it would be too large for a steering group. WMac confirmed it would act more like an advisory group / sounding board.

The Chairman asked whether the time frames are realistic. WMac confirmed that he was confident that the timescales could be achieved. The Chairman also asked whether there are sufficient resources to carry out the project. With the appointment of the project manager, the communications manager and drawing on input from other departments, WMac confirmed that there are adequate resources.

DD asked for confirmation of the goals. WMac noted that the Board had received two presentations on the goals of the project. He explained that broad goals have been identified but that the consumer would be driving the outcomes. Consumer research is being carried out to identify what consumers are looking for and this will ultimately shape the actual outcome.

MC asked whether all options would be considered or whether there are budgetary constraints. He expressed concern that the teams might put forward proposals that cannot be delivered.

The Chief Executive explained that the first phase of work would allow for blue sky thinking. This might result in unrealistic proposals but the Board will have the opportunity to discuss the options. The second phase of work would be in the form of a “gap analysis” where agreement will be reached on how we achieve our goals. Options will be presented to stakeholders at this stage. The third phase will be organic implementation.

The Board will be updated on further progress at the next Board meeting.

13. ADMINISTRATION REVIEW

KN noted that progress is being made according to the plan presented to the July Board meeting.

14. INDUSTRY ENGAGEMENT

Eddie Byers (EB) reported that the team is now largely in place. There are still six positions to be filled (a combination of Business Development Managers and Business Relationship Managers). The business CRM system is now being rolled out and training is underway. It is mission critical to ensure that the data is correct and valid. The account allocation process is also being rolled out. 7000 accounts have now been allocated and this process will continue. We now have a clear training and development plan for BRMs covering product knowledge; skills; and professional standards.

The second round of the Challenge Fund has now been completed. There are now 40 groups receiving funding (1500 businesses). Round three preparations are well advanced.

Excellent progress has been made with the Business Opportunities Package (BOP). More than 8000 have been sold (there were 11,000 – 12,000 businesses in membership of the ATBs). EB also noted that buy-in to BOPs is not the only way businesses engage with VisitScotland.

EB reported that the Scottish Village reception had generated significant interest in the Village. Over 100 people attended the reception. There was particular interest in China.

BH asked what progress had been made in building relationships with key businesses. EB confirmed that they have been allocated account managers and meetings are now taking place. Account plans have not yet been prepared but it is hoped that around 25 will be in place by the next Board meeting.

15. NEVIS PROJECT

KN noted that there have been issues regarding the procurement system (Fraxion). Problems have been encountered with change request ability. These have been raised with the company's Chief Executive who has now produced a delivery schedule. The changes will allow us to be more efficient. VisitScotland is withholding payment until the project is finished.

16. ANNUAL ACCOUNTS

MC reported that the Audit Committee had met the previous day and had approved the Annual Accounts. He recorded his thanks to the Finance Department for an excellent piece of work, particularly during this year of integration. No issues had been identified by Audit Scotland. ATB accounts are not yet ready for approval.

The Board approved the Annual Accounts.

17. FINANCE REPORT

KN gave a presentation on the new finance system – Sage BI. He explained that it is a reporting system which can provide up to date information and allow interrogation of data. Reports are accessed through Excel. It will preclude the need for analysis by Finance staff as others will be able to access reports from their own desktops.

DD asked whether individuals will be able to produce their own reports or whether it will just allow standard reports. KN confirmed that only Business Analysts will be able to produce new reports but there will be flexible dashboards.

18. COMPETITIVE ENVIRONMENT

Accommodation trends to June show an increase in occupancy levels for hotels and self-catering once again. Results for visitor attractions are variable – outdoor attractions have seen good results while indoor attractions have been less busy this year. In general, the trends are positive, although there are some instances of businesses doing less well. It would appear that the businesses which are doing well are those which have invested in quality.

The Chief Executive drew the Board's attention to the paper by John Lennon on lessons to be learned from amazon.

DD asked whether there had been any measurable impact of the London bombings on Scotland. The Chief Executive confirmed that it is too early to say, although there had been no reports of any drop off in trade.

19. ANY OTHER BUSINESS

The Chairman recorded his thanks once again to Donald Anderson and Mike Cantlay who were retiring from the Board. He reported that interviews for these vacancies would be held on 29 September and 3 October.

The Open Meeting will be held in Dundee on 20 October.

DA reported that the City of Edinburgh Council has bought the Ratho Adventure Centre.

DA and MC expressed their thanks to fellow Board members and members of the Management Team for their support during their time on the VisitScotland Board. They wished the organisation luck in the future.