

# 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 are on London's South Bank, affording us an eyrie-like view of one of the capital's busiest tourism hubs. In recent weeks, we've seen tourists queuing for the London Eye, stopping to admire the newly-renovated Big Ben and promenading across Westminster Bridge. All hugely reassuring, especially given the hit tourism suffered during Covid.


Speak to many Walpole members, however, and it's a different story. Yes, the domestic tourism market is still strong and Covid restrictions are partly to blame for the absence of high-end visitors, but the current legislative environment isn't making travel easier. Whether it's scrapping the VAT Retail Export Scheme (tax-free shopping) that now sees high-end tourists favouring boutiques in Paris and Milan over London, out-dated visa rules deterring potential affluent international travellers or the post-Brexit immigration system that sees many Walpole members struggling to recruit the hospitality talent 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 luxury visitor.

British luxury brands and hotels are investing in their visitor experiences, but by not doing more to encourage high-end tourists back, the UK is missing out on a mammoth opportunity and not capitalising on the post-Brexit chance to gain competitiveness in Continental Europe. Before the pandemic, luxury tourism in the UK was worth £30bn a year, with high-end tourists 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, positive cultural and social spillovers throughout the country; just better economic sense overall.

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, hopefully 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. 

A handwritten signature in black ink, appearing to read 'H.B.' or similar, with a stylized flourish at the end.

**HELEN BROCKLEBANK, CEO, WALPOLE**



# Executive Summary:

## How can we enable the return of the luxury tourism sector?

**The UK and Europe is the undeniable home of global luxury. With its rich history and culture and desirable high-end hospitality and retail industries, the 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?**

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, High-end Tourism – A Strong Driver For Europe, into the impact and value of the high-end visitor which will be published in Summer 2022.

The report allows us to quantify for the first time 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 gives 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 its own, *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-drive into the UK high-end tourism eco-system as well as opportunities for growth via policy and promotional recommendations.

We already know that Continental Europe including the UK, accounts for more than half of the international arrivals worldwide, making it the number one tourist destination globally. However, if you split tourism into two – mass and luxury – the report suggests that with the right support from government, the UK the world's number one destination for luxury visitors.

### THE EUROPEAN TOP LINE

Looking at the research, prior to the pandemic, the direct economic impact of tourism across Europe was between €575 – €725bn in 2019 with the high-end segment accounting for 22% or €130-€170 in value terms. The largest tourism economies – France, Germany, Italy, Spain and United Kingdom – generate almost 70% of the overall economic value. High-end visitor spend across Europe is divided between accommodation (30%), culture, entertainment, dining and shopping (65%) and 5% on transport – cultural experiences are particularly important.

### UK ECONOMIC IMPACT

Compare this to the UK where the high-end visitor is worth a staggering 14 times more in terms of daily spend than the mass tourists. 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 luxury tourism. In other words, for every £3 spent by tourists, £1 is spent by the high-end. Of total high-end visitor spend in the UK, 53% is attributed to culture, entertainment and shopping and 30% to accommodation with dining at 14% and transport at 3%.

The positive economic spill over from this revenue is also high. For every £1 spent by a high-end visitor, £8 of value is generated in other industries spread across the UK, all of which 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 AND REPUTATIONAL IMPACT

The report also underlines the strength and importance of the high-end tourism eco-system and the halo effects to other industries as it creates a virtuous circle with a knock-on effect across retail, hospitality, culture and art. All of which work together to create extra value for the economy, contributes to the creation of employment, the preservation of the historically important buildings and sites and drives the desirability of Great Britain as a destination enhancing the reputation of the UK.

### 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 the key drivers enabling a visitor experience that meets their expectations is crucial to creating a suitable proposition whether marketing in advance of a stay or the on-the-ground experience. 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 high concentration of gastronomic experiences is a key driver as are facilities related to 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, the high safety level of a location has become an increasingly important attraction factor when choosing a destination.

### CALL TO ACTION

When comparing pan-European data versus UK, it is clear that Britain has held the advantage (explored in this report) when competing for high-end visitor wallet-share. The figures achieved are without the support of a legislative framework that recognises the value of the luxury industry and high-end tourism.

We believe that, if we are to maintain and enhance our desirability and competitive-edge, policy makers must make changes to unlock the economic and reputational value of high-end tourism.

The report outlines 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 from the GCC, to re-introducing a world-class tax-free shopping offer and extending Sunday trading hours. There is also an opportunity to re-consider how we market the UK to the world and how we can create connected experiences which see the ecosystem working together.

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 and by unlocking the uniqueness and distinction that governs the very ethos of luxury, we can secure our share of an incredibly valuable pie. 🍷

# Understanding the value of high-end tourism

High-end tourism, worth up to €30bn to the UK, 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

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 or local restaurants, attending art fairs or fashion shows, enjoying the countryside, relaxing at coastal locations or shopping in European capitals such as London, Paris, Madrid, Rome, Berlin and Stockholm, Europe is their number one destination.

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. 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, plus 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 & the UK – which alone account for nearly 75% of the whole high-end tourism market.

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 will be published over the summer.

## HIGH-END TOURISM IN EUROPE THE FACTS AND FIGURES

The UK and continental Europe accounts for more than half of international arrivals worldwide, making it the number one tourist destination globally. Tourism is also 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 €1tn if indirect contribution is included. The industry is also a major employer across Europe, being directly responsible for 12 million jobs which rises to 22m when indirect employment is included.

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

## THE APPEAL FOR HIGH-END VISITORS

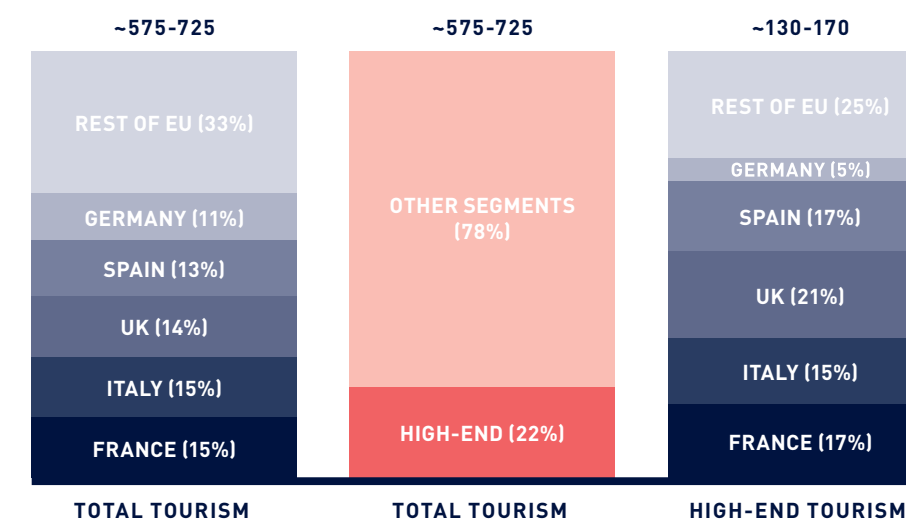
Europe holds a particular appeal for high-end visitors, who have long been drawn to its lifestyle, history, culture, food, cities and countryside, brands, shopping experiences and world-famous events. In 2019 alone, high-end tourism accounted for €130bn - €170bn of the overall economic value of tourism 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 (50%); accommodation (30%); dining (15%) and transport (5%) – clearly showing the virtuous circle and ecosystem that exists within the tourism industry.

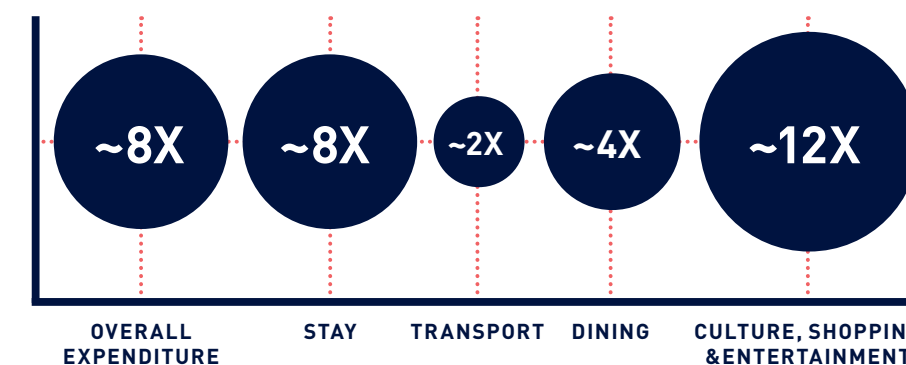
The 'halo effects' or spillovers associated with wealthy international visitors in Europe are extremely high. The total spend per day of a high-end tourist is eight times greater than average tourists, with the financial benefits rippling through to the wider economy. (see figure 2)

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



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

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



Note: Proxy considering the sum of tourism economies in France, Germany, Italy, Spain and UK  
Source: Bain elaborations on national statistics data, Bain Alltagamma Luxury Study, Euromonitor, UNWTO, Eurostat, Expert interviews.

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 (figure 3). It's a figure which demonstrates the huge value that high-spending international travellers had prior to the pandemic.

This statistic becomes even more symbolic when looking at the five leading tourist destinations in Europe. Pre-Covid, the UK had the largest market by value of high-end visitors in any individual country across continental Europe (see figure 4).

FIGURE 3 – INTERNATIONAL AND DOMESTIC TOURISM BY VALUE CREATED IN THE UK 2019

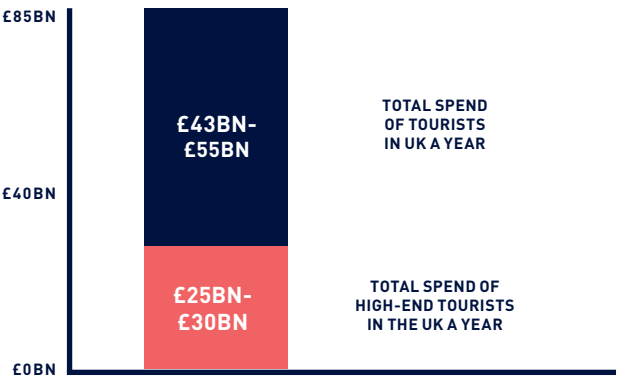
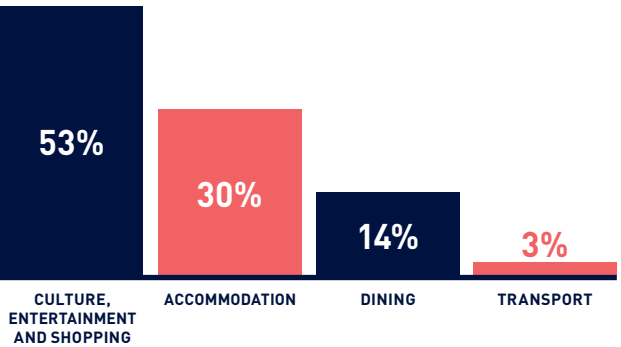


FIGURE 5 – HIGH-END TOURISM GENERATES €30-35BN (€25-30BN) A YEAR IN THE UK. HERE'S HOW THIS MONEY IS SPENT.



The economic impact of high-end travellers in the UK is also high. These affluent visitors spend €1,600 - €1,695 per day in the UK, which is 14x higher than other tourists, providing further evidence of their importance to the wider economy and value in supporting the post-pandemic recovery. They spend 18x more on culture, entertainment and shopping and in the case of accommodation, 20x 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).

FIGURE 4 – HIGH-END TOURISM VALUE ACROSS EUROPE BY MARKET IN 2019

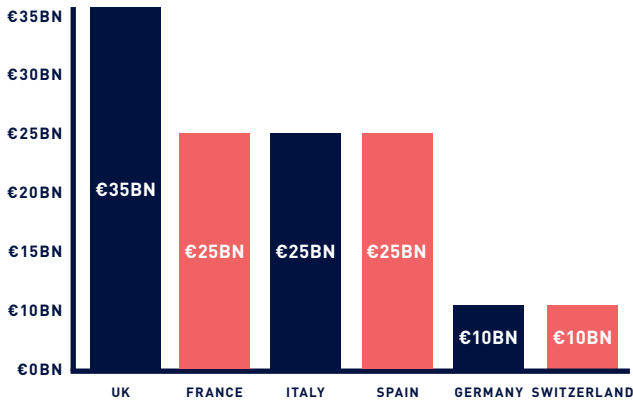


FIGURE 6 – AVERAGE SPENDING PER DAY OF TOURISTS STAYING IN HIGH-END FACILITIES AND RATIO VS. OTHER TOURISTS, BY EXPENDITURE SEGMENT (€, 2019)

STAY	TRANSPORT	DINING	CULTURE, SHOPPING & ENTERT.
~€580-600	~€50-70	~€260-280	~€1.000-1.050
~20X	~3X	~8X	~18X
~€1.890-2.000			
~14X			

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

THE DRIVERS OF HIGH-END TOURISM

There are manifold reasons why the UK holds a special place in the hearts and minds of these wealthy guests. The 'soft power' of British culture holds a significant sway. Some tourists want to experience the 'British way of life'; others to experience the country's outstanding theatres and museums. For many the presence of luxury brands and shopping is a major draw. Many also visit specifically to attend world-famous events such as Wimbledon, London Fashion Week, the London Marathon, the Boat Race, Edinburgh Festival, the Proms, Bath Festival, Glyndebourne, Glastonbury and Frieze Art Fair. 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 UK's 184 Michelin-starred restaurants or tour whisky distilleries in Scotland. 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. The UK is also perceived to be a 'safe' destination compared with some of its European neighbours (see opposite).

HIGH-END TOURISM SPEND AND IMPACT ACROSS THE WHOLE COUNTRY

Much of high-end tourism spend 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. Their spend and its associated impact also 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 Festival Fringe and Hogmanay celebrations. Oxfordshire features 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.

FIGURE 7 – A SERIES OF ENABLERS AND ATTRACTORS ARE NEEDED TO REAP THE BENEFITS OF “HARD” AND “SOFT” SPILLOVERS





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 either 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 northwest England.

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. (see figure 8)

FIGURE 8 – TOURISM AXES OF VALUE CREATION



EMPLOYMENT

The luxury tourism sector helps provide sustainable employment for thousands of people across the UK working in five-star accommodations, castles, country estates, flagship stores, museums and sporting venues, both in major cities and rural locations. Significant investment is made in regular training, employee belonging initiatives, wellbeing activities and opportunities for long-term career development.

To provide the premium levels of service expected by affluent travellers, high-end hospitality businesses employ a higher number of staff, over double the amount, 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. As Michael Ward, managing director of Harrods and chairman of Walpole, points out on pg 13, a store such as Harrods provides additional employment for multiple businesses in the area - from roles in neighbouring restaurants and shops to cab 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 brand stores and restaurants are located in historically important buildings or areas of natural beauty. Their presence not only helps brings high-end visitors to their locations but also attracts future investment and ensures they are maintained to the highest levels.

TRENDS DRIVING INVESTMENT

Organisations in the high-end tourism sector are increasingly embracing sustainability by reducing their environmental footprint, tackling emissions, removing single-use plastics and investing in community projects. These measures can play an important role in the kind of accommodation and attractions that high-end visitors opt to visit on their travels.

SOFT-POWER TOURISM

A final halo effect is the support of a particular country’s reputation. If an affluent visitor has an enjoyable time visiting a destination, they will subsequently share these travel experiences, either through word-of-mouth or on social media. In the process, they effectively become ambassadors for a certain country. 

# Who is the high-end traveller?

The high-end visitor 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 industry segments. In 2019, 30,000 people worldwide had a net worth of over \$500k – a number which has grown by 5% annually in the next 5 – 7 years. The United States 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 5 star or higher hotels or in equivalent non-hotel accommodation.

The top countries for high-end tourists to visit are Italy, France, UK, Spain, Switzerland, Japan, Australia/New Zealand, Indonesia, China, South East Asia and 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 and awareness of sustainability, mindfulness and a consciousness of their travel decisions with natural destinations growing in appeal.

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 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 boutique hotels for shorter stays, whereas other nationalities favour 5-star hotels. European and Americans travellers are most likely to opt for coastal destinations, while Chinese and other nationalities show preferences for art cities. This gap is also reflected across generations, with Gen Z preferring mega-cities and art cities while older visitors favour coastal destinations.

Generationally older visitors choose their destination mainly 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/ celebrities).

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

Chinese tourists also value proximity as the average Chinese citizen favours travel to the Asian region, in countries such as Thailand, Japan, and South Korea. Among European destinations, in 2019 Italy was the top country for arrivals of Chinese tourists. Among affluent Chinese, long-haul travel is more common, but Japan was still was the top tourist destination in 2019 with France, Switzerland, and the United States in the top five. When looking at criteria for choosing a destination, the variety of places ranked #1, followed by ease of getting a visa #2 and luxury shopping opportunities #3.

# 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 experience for high-value visitors there are a number of practical recommendations and creative ideas that together will enable the UK to become a leader in luxury tourism.

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

The VAT Retail Export Scheme (VAT RES) was a successful initiative for the UK, directly attracting over 600,000 non-EU visitors a year and encouraging millions of others to shop across Britain during their visit. It worked for British businesses of all sizes, from major brands to regional SMEs, and significantly bolstered the UK's tourist appeal, allowing non-EU visitors to reclaim the 20% VAT paid on their purchases when returning to their home countries.

This initiative kept the UK on a level playing field with other European countries and thus ensured tax competitiveness.

Tax-free sales generated £3.5bn a year for the UK but created more revenue within the tourism ecosystem too: whenever tourists visited to shop in Knightsbridge or Bicester Village, they spent on accommodation, restaurants, cultural experiences, entertainment and

transport. It was a particularly important draw for international visitors from China, the Middle East and the US when choosing their travel destinations. With total spending by non-EU visitors in 2019 reaching £17.9bn, the nearly £15 bn taxed spending raised around £3bn for HM Treasury.

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. 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 would and are increasingly taking their spend to other destinations across continental Europe. Luxury 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.

According to a recent VisitBritain Traveller Sentiment Survey in March 2022 various nationalities were asked if the UK's decision to end VAT returns on tax free shopping would prevent them from visiting the UK in future. 27% of Saudi Arabian and UAE respondents

said they would go elsewhere. Given that the GCC previously made up 26% of Britain's tax free spend, this is particularly significant. This is also backed up by HMRC's own data in a May 2020 survey which states that 69% of respondents said the possibility of tax-free shopping influenced their decision to come to the UK.

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). This is also reflected with retail spend for GCC visitors – Q4 2021 retail spend in the EU is at 153% compared to Q4 2019 levels, while the UK is only at 60%.

The decline in high-end tourists is starkly illustrated by the sudden absence of visitors from the Gulf states. In 2019, this was a cohort that shopped almost exclusively in the UK on their European trips, spending an average of €24,000 each.

This has been disastrous for many of the UK's key industries not least tourism, hospitality and retail. 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



**“This isn't about bringing posh people to London but generating jobs for a large numbers 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: another example of the ripple effect Harrods has on the local economy.

Pre-pandemic, Harrods represented 50% of the Middle Eastern spend in the UK. But our footfall is now 30% below 2019 levels; it'll probably take us two-three years to fully recover. There's no point whingeing: we've had 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 at London Harrods, it might not be tax-free anymore, 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 our 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, lecture theatre, even challenging customers' perceptions with a skateboarding popup.

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 numbers of UK residents.”

**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 tourist 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 here 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 that 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 star chef, Niall Keating, (who just happens to be from Stoke!) In the Summer, we look forward to local distillery Sixtowns, opening its doors onto our courtyard for cocktails, gin school and tours.

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.**

the Government’s ambition of returning international visitor spending to 2019 levels by 2023, as well as the UK’s wider, post-pandemic economic recovery. Both the Office for Budget Responsibility 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.

The full impact of the scheme’s termination is yet to be experienced by the tourism sector as tourism flows are only just starting to recover. However, at a time when British high streets and city centres are struggling to recover from the pandemic – not to mention fighting to survive amid the rise of online shopping – a sharp reduction in the number of inbound tourists will seriously undermine many retailers’ attempts to recover and survive.

It is worth noting that France immediately seized the opportunity to lure the luxury tourists the UK would be losing, slashing the minimum spend required to recoup VAT from €175 (£146) to €110 (£91), and reportedly investing in new luxury space in central Paris and at the city’s Charles de Gaulle airport. Consequently, sales to tourists in Europe are now ahead of the UK.

This has an additional negative impact on the UK economy. Even though international travel is only just restarting and many British travellers to Europe and not yet aware that they are now eligible for tax-free shopping, in Q4 2021, British spending on tax-free shopping in the EU had reached 5 million euros a week, or 250 million euros a year. This is a direct diversion from UK stores to EU shops. But because the Government chose not to reciprocate, British stores and the wider tourism economy cannot benefit from the huge attraction that would have come from being the only European country that the 450 million EU citizens could visit for tax-free shopping. This is a particular blow to local economies outside London most of whose regional airports link to EU countries.

EU countries such as France, Italy and Spain now have a 20% price advantage over the UK according to Paul Barnes, chief executive of the Association of International Retail (AIR), who said the scrapping of the scheme is “pushing those that traditionally

## “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**

contribute around £28.4bn a year to our economy towards continental Europe”.

### OUR RECOMMENDATION:

It is vital the Government responds quickly and decisively given the threat the scheme’s removal poses to UK businesses and jobs. With the ongoing recovery of international travel, there is a genuine opportunity to attract high-spending visitors with a competitive tax-free shopping regime which boosts visitor numbers and delivers for the wider UK economy. The Government should work with businesses to design a new form of tax-free incentive to replace the old scheme and make Britain the best place in the world to visit to shop.

### 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, particularly the Schengen Area visa, and look to replicate the areas which have had particular success in lowering the barriers to visitor entry to the continent.

As major spenders, visitors from the GCC states are a good example of how the UK visitor visa falls behind the Schengen offer. 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. It is therefore crucial



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

Typically, 35% of Gleneagles’ guests are from overseas, primarily the US. 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 health. 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 launch 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 travel restrictions such as Covid tests, mandatory mask-wearing on long-haul flights 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.**

*Gleneagles Townhouse opens in Edinburgh on 6 June*

that, in the absence of tax-free shopping, the visitor visa product and application process are at least as good as those of Schengen. This is currently not always the case. In particular the Schengen Electronic Visa Waiver Scheme, which is used by high value travellers, is better than the UK version. The UK EVW has to be applied for at least 48 hrs in advance of travel and allows just a single entry in six months. The Schengen equivalent can be applied for at any time and is multiple entry over a six-month period. Other European countries have capitalised on this, offering a wider range of electronic waivers which are easier to obtain. By 2022, Schengen plans to have a fully operational European Travel Information and Authorisation System, valid for three years, which

allows multiple-entry – and costs just €7. It will lead to the UK falling further behind the rest of Europe.

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 tourists visited in 2019. And with only 13% of the population holding passports, the opportunity for growth is immense.

Most Chinese visitors to Europe make a multi-country tour. A Schengen visa gives them access

to 26 countries. To add to UK to that list, they also 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 business 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 China.

### OUR RECOMMENDATION:

As a priority the UK Government should make changes to the EVWS application process and product in GCC states so that they at least match Schengen. The Government should also look to extending 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 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

Current regulations which limit the opening hours of stores of over 250 m sq. on Sundays is putting the International Centres of Knightsbridge and the West End in London at a disadvantage compared to



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

Next month [June] is the Queen’s platinum jubilee, 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 the return of Wimbledon, Henley and the Chelsea Flower Show this summer: 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 worths would usually be our strongest market. 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.

Throughout the pandemic, we’ve 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 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 somebody 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 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 percent.

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. But 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 what they do.

**TRACEY GREAVES IS COO, GOODWOOD**

competitors such as Madrid, Milan and Paris, which face few or no restrictions. This has a deleterious impact on both the local economy and national economy. An open and accessible London is a crucial first stop for international visitors preparing to visit other parts of the country.

### OUR RECOMMENDATION:

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 rather to maximise wallet share of the international visitors who can contribute most to the UK’s economic recovery from the pandemic.

### 4. CHANGE THE WORKING VISA SYSTEM

As international Covid travel restrictions start to ease, the UK’s bars, restaurants and hotels anticipate the return of international tourists however the severe staff shortages faced by many establishments seem set to stifle growth and potentially damage reputations. The number of hospitality vacancies has hit a record high in recent months. According to the Office for National Statistics, 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 Brexit 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.

## “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 DCMS, we’re self-financing and look after six of the UK’s greatest palaces - 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.

Last year we had 1.45m visitors and this year we’re projecting 2.7m. The Platinum Jubilee will be good for tourism, but pre-Covid we had 5m annual visitors, 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. We must do the same.

**DAN WOLFE, COMMERCIAL DIRECTOR, HISTORIC ROYAL PALACES**

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.

These hospitality shortages are already negatively impacting Britain’s reputation, and preventing the hospitality industry offering an elite and bespoke service to visitors who expect the highest standards of service. This could result in HNWI 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, however this now 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 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.<sup>4</sup> 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, rebuild an increasingly tarnished service reputation and help revive the industry to pre-pandemic heights.

## 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 of the world. The Government should consider working closely with organisations such as Walpole 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 removal of the VAT Res scheme. 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.<sup>5</sup>

In particular, job losses will be acutely felt in regional communities which are typically home to smaller, highly-skilled manufacturers. The impact on UK plc's reputation 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 last July, showcasing the best of British entrepreneurialism, creativity and leadership in sustainability around 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 policy makers. 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-class 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 HNW 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 would recommend a Luxury Scotland tour in which international visitors (including influencers and press) can 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. 🍷

<sup>1</sup><https://www.visitbritain.org/markets/gcc>

<sup>2</sup><https://edition.cnn.com/travel/article/uk-tourism-decline-restrictions-cmd/index.html>

<sup>3</sup><https://www.schengenvisainfo.com/news/european-travel-information-and-authorisation-system-on-track-for-entry-into-operation-by-end-of-2022-commission-says/>

<sup>4</sup><https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/jobsandvacanciesintheuk/october2021>

<sup>5</sup><https://www.visitbritain.org/2022-tourism-forecast>

# About Walpole

Walpole is the official sector body for UK luxury. Founded in 1992 as a not-for-profit organisation, it counts more than 250 British brands in its membership and is recognised in both Westminster and Brussels. As the voice of British luxury, Walpole's purpose is to promote, protect and develop a sector worth £48 billion to the UK economy.

Walpole actively seeks out UK and international business opportunities, promoting growth in the industry. As founders of the European Cultural and Creative Industries Alliance (ECCIA), Walpole cements and champions relationships with Europe's luxury and creative sectors to deepen cultural and commercial connections. Walpole lobbies the government on key policy issues like selective distribution, IP protection, international trade and tourism with the aim of making the UK the best country in the world to grow a luxury brand.

Dedicated to creating a pipeline of growth for Britain's luxury brands, Walpole also runs the annual mentoring programmes Brands of Tomorrow and the Programme in Luxury Management at London Business School.

[thewalpole.co.uk](https://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](https://eccia.eu)

# Walpole

2<sup>ND</sup> FLOOR, RIVERSIDE BUILDING, COUNTY HALL,  
WESTMINSTER BRIDGE ROAD, LONDON, SE1 7JA

THEWALPOLE.CO.UK @WALPOLE\_UK

---

