Isle Of Wight

HOTEL FUTURES

A Review of Hotel Performance and Future Development Strategy

Draft Report

Prepared for:

Isle of Wight Tourism
Tourism South East

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RESEARCH & DEVELOPMENT CONSULTANCY

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EXECUTIVE SUMMARY

1. INTRODUCTION

- The hotel sector is clearly a vital component of the Isle of Wight's tourism infrastructure, yet relatively little information is currently available about its performance and future prospects. The Isle of Wight Hotel Futures Study has thus been commissioned:

  - As the basis for developing a Hotel Development Strategy as part of the Tourism Development Plan for the Island;
  - To inform the drafting of planning policies for hotels in the new Local Development Framework, particularly in terms of hotel retention policies;
  - To identify whether there is potential for new hotel development projects to be incorporated into some of the regeneration sites identified by the Economic Partnership.

- The Study has involved an analysis of the current supply of hotel accommodation on the Island; an assessment of current hotel performance based on detailed interviews with a cross-section of hoteliers across the Island; consultations with key stakeholders with an interest in the development of the Island's hotel sector; a survey of indigenous and national hotel developers to assess their interest in developing and investing in hotels on the Island; a review of existing and potential hotel development sites; a survey of hotel property agents to obtain views on the market for buying and selling hotels on the Island; specific research into the future prospects for the coach holiday market; a review of recent and current planning applications relating to change of use and development of hotels; an assessment of best practice on planning policies for hotel retention.

- The Study has been commissioned by Isle of Wight Tourism in partnership with Tourism South East.

2. CURRENT HOTEL SUPPLY AND INVESTMENT

The Isle of Wight currently has 227 hotels[1] with a total of 5,358 letting bedrooms and 11,955 bedspaces. An analysis of the Island's current hotel supply by standard and size of hotel gives the following breakdowns:

ISLE OF WIGHT HOTEL SUPPLY – BY STANDARD OF HOTEL – SEPTEMBER 2005

Standard	Estabs	Rooms	Bedspaces	% of Estabs	% of Rooms
5 star	0	0	0	0	0
4 star	1	55	119	0.4	1.0
3 star	22	749	1,655	9.7	14.0
2 star	42	1,380	3,188	18.5	25.7
1 star	1	14	47	0.4	0.3
All star-rated hotels	66	2,198	5,009	29.1	41.0
5 diamond	0	0	0	0	0
4 diamond	51	656	1,547	22.5	12.2
3 diamond	51	626	1,501	22.5	11.7
2 diamond	6	117	267	2.7	2.2
1 diamond	0	0	0	0	0
All diamond-rated hotels	108	1,399	3,315	47.6	26.1
Budget hotels	1	68	136	0.4	1.3
Non-inspected hotels	52	1,693	3,495	22.9	31.6
TOTAL	**227**	**5,358**	**11,955**	**100.0**	**100.0**

ISLE OF WIGHT HOTEL SUPPLY – BY SIZE OF HOTEL – SEPTEMBER 2005

Size of Hotel – Number of Rooms	Estabs	Rooms	Bedspaces	% of Estabs	% of Rooms
1-10	71	549	1,289	31.3	10.2
11-20	77	1,156	2,742	33.9	21.6
21-30	36	932	2,141	15.9	17.4
31-40	10	343	780	4.4	6.4
41-50	8	364	807	3.5	6.8
51-100	21	1,428	3,071	9.3	26.7
101-200	3	352	674	1.3	6.6
201+	1	234	451	0.4	4.3
Total	**227**	**5,358**	**11,955**	**100.0**	**100.0**

Source: IWT Accommodation Audit 2004 supplemented by Tourism Solutions/ ACK Tourism research

[1] Defined as all serviced accommodation establishments using the word 'hotel' or 'inn' in their name – including star-rated hotels, diamond-rated establishments and non-inspected hotels and inns.

Key features of the Island's current hotel supply are as follows:

- The majority of hotels on the Island are small 2 star and diamond-rated hotels concentrated in Shanklin and Sandown. Ventnor is a secondary focus of hotel accommodation. West Wight, Cowes, Newport, Ryde and East Wight have smaller numbers of hotels;

- The Island has fewer 3 star hotels, only one 4 star hotel and no 5 star or 5 diamond hotels (although a number of 5 diamond B&Bs).

- There are 25 larger hotels on the Island with more than 50 bedrooms. These are primarily 2 star and non-inspected coaching hotels;

- 77% of the Island's hotels are currently inspected under the national grading scheme. Non-inspected hotels account for almost a third of hotel rooms on the Island, however. Many of these are coaching hotels that do not see a need to be inspected.

- A few of the Island's hotels have special awards for quality and food. These are located primarily in Ventnor, West Wight and East Wight. Some hotels in Shanklin have special awards for quality. No hotels in Sandown have awards for food or quality.

- There would appear to be a strong market for people wanting to buy hotels on the Island;

- Companies and individuals are prepared to buy and invest in run down hotels on the Island (if the price is right);

- Many hotels are investing in improving their quality and upgrading;

- The Island is slowly beginning to see an improvement in the quality of its hotel stock, with the refurbishment and upgrading of a number of hotels and the development of boutique hotels in some parts of the Island;

- For many hotels the process of refurbishment and upgrading is a slow process as they do not generate sufficient profits for more significant and rapid investment;

- Hotels that are trading primarily in the low-rated coach holiday market appear to be generating insufficient profits to allow reinvestment in quality improvement;

- Many hotels would sell up for residential redevelopment if they could.

- Financial assistance would help to accelerate hotel improvement and development projects.

3. CURRENT HOTEL PERFORMANCE AND DEMAND

Occupancies and Achieved Room Rates

On the basis of our research we estimate average annual room occupancies for the Island's hotel sector by standard of hotel as follows for 2004:

ISLE OF WIGHT HOTEL SECTOR
AVERAGE ANNUAL ROOM OCCUPANCY 2004

Standard of Hotel	Average Annual Room Occupancy 2004 %	Range in Average Annual Room Occupancies %
3/4 Star	56	36-71
2 Star	67.5	28-85
4/5 Diamond	46	28-61
3 Diamond	42	17-69
All Hotels[2]	**62**	

Source: Tourism Solutions/ ACK Tourism

Very few Isle of Wight hotels monitor achieved room rates (the average amount of income that hotels achieve per room net of VAT, meals, commission and discounts). From the information that we have been able to gather from hotels and our analysis of current hotel prices on the Island, we would estimate achieved room rates as follows for the Island's hotel sector:

ISLE OF WIGHT HOTEL SECTOR – ACHIEVED ROOM RATES 2004

Standard of Hotel	Estimated Achieved Room Rates[1]
3/4 Star	▪ Most typically around £50 ▪ Range £32-80 ▪ Higher quality 3/ 4 star hotels and country house hotels are achieving higher rates (around £70-80)
2 Star (catering primarily for coach holidays)	▪ Most typically around £20-25 ▪ Even lower for hotels that trade purely with national coach holiday operators
2 Star (catering primarily for private guests)	▪ £30-50
4/5 Diamond	▪ £35-90 ▪ Higher quality 4/5 diamond hotels appear to be achieving room rates of around £55-60 ▪ Achieved rates for other 4 diamond hotels appear to be around £35-45
3 Diamond	▪ Most typically £25-35

Source: Tourism Solutions/ ACK Tourism

Key observations on the current performance of the Island's hotel sector and its future prospects are as follows:

- Hotel performance on the Island varies significantly between hotels.

- Key factors determining hotel performance are:

    - The quality of facilities, décor, food and service;
    - Location;
    - Marketing;
    - The professionalism and business acumen of hotel owners and managers;
    - The markets that hotels target;
    - The provision of leisure facilities and entertainment and activities.

- Higher quality hotels generally perform better:

    - 3 star hotels generally achieve higher occupancies and rates than 2 star hotels that cater primarily for private guests;
    - 5 diamond B&Bs achieve better rates than 4 diamond hotels, and some 3 star hotels;
    - 4 diamond hotels generally trade at higher levels of occupancy and rates than 3 diamond hotels, and many 2 star hotels;
    - hotels with awards for food and service achieve higher occupancies and rates.

- Hotels in Ventnor, West Wight, Cowes and East Wight generally achieve higher rates than equivalent standard hotels in Shanklin and Sandown, and in some cases higher occupancies.

- Some smaller, lower grade hotels in Shanklin and Sandown, particularly those that are not so well located (on the periphery of the resorts or in side streets) do not perform so well, in some cases achieving very low occupancies and rates.

- Hotels with a good range of leisure facilities and programmes of entertainment and activities achieve higher occupancies.

- Hotels that cater primarily in the coach holiday market achieve very high occupancies and long seasons, but very low rates, particularly if they are trading purely with national coach holiday operators.

- 3/4 star hotel occupancies on the Island are on a par with 3 star occupancies in the New Forest, and possibly other primarily leisure-driven destinations. They are lower than the Hampshire 3 star average, however, and much lower than national averages for 3/ 4 star chain hotels.

- The room rates achieved by Isle of Wight hotels are likely to be lower than those achieved by equivalent standard hotels on the mainland due to the additional cost of ferry travel, which limits the amount that the Island's hotels feel they can charge if they are to remain competitive with mainland hotels.

- Occupancies and achieved room rates appear to have been relatively stable over the past few years. The Island's hotel sector appears to have seen little change in occupancy and only slow growth in rates, as hotels have been nervous about increasing prices too much.

Seasonality

- The Isle of Wight hotel market remains highly seasonal. The main season is between June and September, with many hotels consistently filling and turning away business during these months, both during the week and at weekends. Occupancies dip in early July.

- May and October occupancies have strengthened in recent years due to the growth in the short break market, particularly at weekends, when some hotels are frequently filling and turning business away.

- Occupancies are very low between November and March, other than over the Christmas and New Year period. Many hotels that stay open in the winter are empty or virtually empty for most of the time. Many stay open primarily to retain their staff, or because owners live on site anyway. Few make any money during the winter. Many hotels still close in the winter, although increasing numbers are remaining open all year.

- The coach holiday and groups visit market appears to be the only market that has the potential to deliver volume business during the winter. Rates are very low, however.

- The schools market is important for some 2 star and diamond-rated hotels in terms of providing volume business in the early season.

- A number of hotels have had success in extending the season through:

    - Internet marketing;
    - the promotion of special offer breaks;
    - special events e.g. the Fat Cat Beer Festival in March at the Sandpiper's Hotel at Freshwater;
    - themed breaks for private guests and groups e.g. bowls tournaments, dancing breaks, skittles weekends, gourmet weekends;
    - targeting special interest groups.

Markets, Market Trends and Future Market Prospects

- Key markets for Isle of Wight hotels are:

  - Short breaks;
  - Week-long holidays;
  - Coach holidays and group visits (for many larger 2 star and non-inspected hotels);
  - School groups (for some 2 star and diamond-rated hotels).

- Secondary and minor markets are:

  - Business visitors;
  - Residential conferences and team building events;
  - Weddings;
  - Masonic lodge weekends;
  - Events;
  - Overseas leisure visitors.

- The Island's hotel sector has seen strong growth in the short breaks market in the last 5-10 years, and should see further growth in the future. There are two key short break market segments: Emptynester and Retired Couples visiting both at weekends and during the week, and Career Couples coming primarily for weekend breaks. There also appears to be a growing family market for breaks on the Island at weekends and during school holidays.

- There is a growing trend towards shorter breaks on the Island of 2-3 nights, rather than 4-5 nights. The cost of ferry travel is thus becoming a more significant element of the total cost of a break on the Island. Many hotels indicated that they are increasingly losing short break business as a result. The trend towards shorter breaks also means that hotels are having to work ever harder to maintain their occupancies, with increased marketing effort and expenditure.

- There is a stable market for week-long holidays in hotels between June and September, particularly from the family market in the school summer holidays. Some hotels only take week-long stays during these months. Many are turning away week-long holiday business in the summer.

- Many of the Island's larger hotels are reliant on the coach holiday and group visits market, and likely to remain so for many years to come. There are three main segments in this market:

  - National coach holidays
  - Independent coach holidays
  - Private groups and special interest groups

- National coach holiday operators generate high volumes of business virtually year-round, but pay very low rates. Demand appears to be declining currently, with numbers on coaches reducing and operators increasingly cancelling bookings because they have not achieved the numbers they need. With the general ageing of the UK population, the longer term prospects for this market look good, however, with demand likely to remain strong from older people looking for low-cost holidays, those looking for sociable holiday options, and those that do not wish to fly or drive.

- Independent coach holiday operators pay higher rates, but cannot deliver the volumes of business that the national operators do.

- Private groups and special interest groups will often pay higher rates. Demand from this market is growing, and a number of hotels are successfully targeting it. It is a much smaller market than the national coach holiday market, however.

- Reaching the independent coach holiday and private group and special interest group markets will required increased marketing effort and expenditure by hotels.

- Many of the Island's hotels are likely to remain reliant on the national coach holiday market. Some hotels are aiming to gradually build business from private guests, independent coach holiday operators and private groups with a view to phasing out this market at least in the summer months.

- The coach holiday market will remain highly price-sensitive, with limited scope to increase rates, even for higher quality hotel facilities and service.

- Many of the hotels that are currently trading in the school groups market are likely to continue to do so. Some are planning to increase the numbers of school groups that they take in the future.

- Business demand is low for hotels in most parts of the Island, and has limited growth prospects, other than for hotels in Cowes, Ryde and Newport.

- Residential conferences, team building events, incentive weekends, weddings and Masonic lodge weekends are small markets that offer some growth potential for a few of the Island's hotels.

- The Island's hotels generally decline business from events that are held between June and September as they can attract more lucrative business from other markets at these times of the year. They are more inclined to take business from events held in the early and late season, however, some of which have helped in terms of extending the season for the Island's hotels. Yachting events generate significant business for hotels in Cowes.

- Overseas tourists are a minor market for most of the Island's hotels, and one that very few hotels actively target. There appears to be good growth potential for this market, although it is likely to remain a relatively small market overall.

Hotel Profitability

- Many of the Island's hotels, particularly 2 star hotels and some 3 and 4 diamond hotels see limited scope to increase their prices due to the need to remain competitive with other hotels on the Island and mainland hotels. With their operating costs rising, profits for many hotels thus look likely to decline, reducing their ability to reinvest in their properties.

- Hotels that are trading primarily in the national coach holiday market are generally achieving very low profits, and are unable to invest in improving their quality.

- It may not necessarily be more profitable for hotels to upgrade or to switch to private guests away from coach holidays due to the higher operating costs of a 3 star hotel and of catering purely for private guests. Switching to private guests will result in hotels achieving lower occupancies and shorter seasons, but higher rates, higher operating costs, and not necessarily increased profits.

4. SECURING NEW HOTEL DEVELOPMENT

- The **strategic rationale** for seeking to attract new hotel development to the Island is to secure investment in new hotels for which there is identified market potential, that can generate new demand and that will help to achieve one or more of the following objectives in terms of:

    - Providing a wider choice of different types of hotel on the Island;
    - Adding to the Island's quality hotel offer;
    - Appealing to new types of customer;
    - Attracting higher spending visitors;
    - Assisting in extending the season;
    - Helping develop a modern hotel offer in line with market requirements.

- The research suggests that there could possibly be **market potential –** either through redevelopment or new build - for the following types of hotel development on the Island:

    - Boutique hotels in Cowes, Ryde, Ventnor and possibly Shanklin (longer term);
    - Budget hotels in Newport, Ryde and possibly Cowes;
    - Country house hotels;
    - Spa hotels;
    - Golf hotels[2];
    - Adult only hotels;
    - Luxury family hotels;
    - Quality pub hotel accommodation;
    - Aparthotels;
    - Restaurants with quality rooms.

[2] The potential for golf hotels is more likely to be in terms of the development of hotel accommodation (30-50 bedrooms) at existing golf courses rather than the development of major new golf hotels/ resorts (120 bedrooms +).

- Key investment criteria adopted by hotel companies include:
    - **Location** – achieving critical mass and geographic spread is important to all national hotel brands, which target primary locations first (larger regional cities) then move on to secondary and tertiary locations when they can be better supported by the group.
    - **Site requirements** include strategic locations with good access, visibility to passing traffic, a strong business base close by, leisure drivers to fill the rooms at weekends, site areas of 0.5-6 acres, land values that reflect hotel economics, an attractive environment, a minimum population of 50-100,000, city centre and out of town sites, the need for associated development where land values are high, and redevelopment sites where opportunities are limited and competition for sites strong.
    - **Development costs** are critical to control for hotel viability, but have been driven upwards resulting in a move to larger hotels, the need to tailor the hotel to the site, and the development of associated uses.
    - Viability is a function of development cost, occupancy and achieved room rate. **Performance targets** will vary by product type. Typically occupancies of 70-75% are required, ARR targets of £35-£45 budget, £55-£70 for upper tier budget and new generation 3 star offers, and £70+ for 4 star hotels, with luxury 4/5 star and town house hotels looking to achieve £100+. Return on investment targets are in the range of 15-20%.
- In terms of understanding any interest expressed in the Isle of Wight by hotel companies, it is important to appreciate the nature of hotel investment and operation and the **structures used for financing hotels**. Some companies wholly own and manage their hotels themselves, but in other cases hotel buildings may be owned by an investor but leased, run under franchise or under management contract by a hotel chain. The levels of risk to the hotel chain vary considerably between these options. At the large 4 star end of the market particularly, where levels of capital investment and therefore risk are high, many more hotel companies will be willing to take a management contract or franchise than build and invest themselves.
- In terms of **hotel developer interest** in the Isle of Wight, only the two main budget operators had the Island on their 'hit lists', although four others had been approached in the past year with regard to specific site opportunities. Three operators responded that the Island didn't meet their current investment criteria for large upper tier budget, three star and luxury hotels. However, a number of other operators were prepared to take a look at the Island, although much of this interest was on an uninformed basis. The combined informed and uninformed interest included 4 star, country house hotel, destination hotel, aparthotel, upper tier budget and budget offers.
- Geographically the interest was primarily in Cowes, Newport and Ryde, but we also ascertained potential interest in the rural area for country house/destination hotel development and the development of quality rooms onto pubs.

- The principal **obstacles to investment** related to the size of the Island and town populations and the related depth and breadth of the corporate base; access to the Island and therefore the catchment for hotel offers; the seasonal nature of the current market and its primary leisure focus; the current performance of the sector in occupancy and rate terms compared to national benchmarks; and the perceived risk of investing in a leisure-driven non-metropolitan location. There was an identified need to reduce investment risk, provide evidence of market potential and development and operational success, make information and contacts readily available, and create an enabling planning framework that includes the availability of suitable sites.

- When **matching market potential and developer interest**, the strongest match is for budget and boutique hotel development at Newport (budget), Ventnor (boutique), Ryde (budget and boutique) and Cowes (budget and boutique). The market potential for other types of hotel development is not fully proven and developer interest largely uninformed. There is no clear potential or firm interest in large 3/ 4 hotels, upper tier budget hotels, major golf hotels or new build hotels in Sandown and Shanklin.

- The table overleaf details the market potential and developer interest by location.

- There are suitable **sites** available for budget hotel development in Newport, Ryde and Cowes, and some site opportunities for boutique development in Cowes and Ryde. Osborne House is a unique opportunity for the development of a luxury destination hotel on the Island. There is no clear market potential or developer interest in sites at Sandown and Shanklin, the potential for which is likely to be longer term. Competition for sites from higher value uses points towards the need for allocations to be made where there is evidence of demand and for enabling development where required. Hotel site needs should be evaluated as part of major regeneration schemes, preferably through consultation directly with operators to ensure sites meet their requirements.

Isle of Wight Hotel Investment Potential – Matching Market Potential and Developer Interest

Type of Hotel	General	Shanklin		Sandown		Ventnor		Ryde	
	Developer Interest	Market Potential	Developer Interest	Market Potential	Developer Interest	Market Potential	Developer Interest	Market Potential	Developer Interest
Major new build 3/4 star (100 rooms +)	✓U								
Upgrading of existing hotels to 3/4 star		✓	✓	✓	(✓) NT	✓	(✓) NT	✓	(✓) NT
Repositioning of existing hotels to 4/5 star guest accommodation		✓	(✓) NT	✓	(✓) NT	✓	✓	✓	(✓) NT
Boutique		(✓) LT				✓	✓[1]	✓	✓[2]
Budget								✓	✓
Upper-Tier Budget[3]	✓U								
Country house hotels	✓U								
Golf hotels (30-50 rooms) added to golf courses/ or golf courses added to hotels									
Major golf hotels/ resorts (120 rooms +)									
Spa hotels									
Adult only hotels/ resorts		(✓) C		(✓) C					
Aparthotels	✓U	(✓) C		(✓) C				(✓) NT	
Luxury family hotels									
Quality pub hotel accommodation								(✓)NT	(✓) NT

Key:

✓	Evidence of market potential
(✓)	Possible market potential
LT	Possible longer term market potential
C	Possible new-build potential, but conversion of existing hotels more likely
NT	Market potential not fully tested
✓	Identified developer interest
(✓)	Possible interest
U	Uninformed interest that may wane on further investigation
NT	Developer interest not fully tested

Notes:

1. Hambrough Hotel currently being redeveloped as a boutique hotel
2. Matthew Parker currently developing boutique hotel in Ryde
3. eg Express by Holiday Inn, Tulip Inn, Ramada Encore

Type of Hotel	Cowes		Newport		West Wight		East Wight		Rural	
	Market Potential	Developer Interest	Market Potential	Developer Interest	Market Potential	Developer Interest	Market Potential	Developer Interest	Market Potential	Developer Interest
Major new build 3/4 star (100 rooms +)		(✓) U								
Upgrading of existing hotels to 3/4 star	✓	(✓) NT	✓	(✓) NT	✓	(✓) NT	✓	(✓) NT	✓	(✓) NT
Repositioning of existing hotels to 4/5 star guest accommodation	✓	(✓) NT	✓	(✓) NT	✓	(✓) NT	✓	(✓) NT	✓	(✓) NT
Boutique	✓	✓								
Budget	✓	✓	✓	✓						
Upper-Tier Budget[1]										
Country house hotels	(✓)NT[2]	(✓) U			(✓)NT		(✓)NT		(✓)NT	
Golf hotels (30-50 rooms) added to golf courses/ or golf courses added to hotels					(✓)NT		(✓)NT	✓[3]	(✓)NT	
Major golf hotels/ resorts (120 rooms +)										
Spa hotels	(✓) NT				(✓) NT		(✓) NT		(✓) NT	
Adult only hotels/ resorts					(✓) NT		(✓) NT		(✓) NT	
Aparthotels	(✓) NT									
Luxury family hotels	[✓)NT [2]	✓			(✓) NT		(✓) NT		(✓) NT	
Quality pub hotel accommodation	(✓)NT	(✓) NT	(✓(NT	(✓) NT	(✓)NT	(✓) NT	(✓)NT	(✓) NT	(✓)NT	(✓) NT

Key:

✓	**Evidence of market potential**
{✓}	**Possible potential**
LT	**Possible longer term**
C	**Possible new-build potential, but conversion of existing hotels more likely**
NT	**Possible market potential – not fully tested**
✓	**Firm developer interest**
{✓}	**Possible interest**
U	**Uninformed interest that may wane on further investigation**
NT	**Possible developer interest – not fully tested**

Notes:

1. e.g. Express by Holiday Inn, Tulip Inn, Ramada Encore
2. Osborne House
3. Priory Bay planning to develop a golf course

5. POLICY CONTEXT

- The emerging South East Plan has set a new regional context for hotel development, that encourages diversity of offer, locational guidance, encourages extensions and up-grading of existing stock and the resistance of loss where there is proven demand. Active monitoring of demand and supply in relation to hotel accommodation is advocated. The policy recognises hotels as primarily a town centre use but does not see the sequential test as an appropriate tool in determining location; this should be informed by hotels' differing requirements and market characteristics.

- At a local level, the policies contained in the current Unitary Development Plan in relation to hotel accommodation development, and particularly the retention of hotels from change of use, are strong, but could be strengthened further in the new Local Development Framework, giving greater transparency to the process, and supporting it with an SPG and relevant professional /technical inputs. Area Action Plans can add a more detailed local level interpretation to these policies, informed by tourism strategy guidance and market information. There is a need to check that the identified hotel development potential can be delivered within the proposed policy framework, and to learn from best practice elsewhere in relation to retention policies. Past tourism department input has been extremely beneficial in developing and implementing policy in relation to hotel accommodation. The development of the new Tourism Development Plan alongside the Hotel Futures research should help refine hotel development needs and feed into the policy-making process – both in terms of the LDF and also any more locally focused regeneration strategies and masterplanning exercises.

- Tourism South East has issued two pieces of planning policy guidance on the hotel sector – relating to the retention of tourist accommodation, and attracting new hotel investment. The Isle of Wight Council should draw on these in their policy development.

6. CONCLUSIONS AND KEY MESSAGES

Conclusions

The key conclusions of the Hotel Futures are summarised as follows:

- There is potential to extend the season for the Island's hotel industry in the shoulder months, but achieving strong winter hotel demand will be difficult.

- There is potential for some hotels to reduce their reliance on coach holiday business to at least some extent, but many hotels will remain reliant on the coach holiday market for many years to come. The school groups market will remain a key source of early season business for those 2 star and diamond-rated hotels that currently cater for this market.

- There is scope for the Island to attract more higher spending hotel customers given the development of a higher quality hotel offer and proactive marketing strategies for moving coaching hotels away from reliance on the national coach holidays market.

- There is potential to secure investment in improving and upgrading existing hotels on the Island, but the pace of investment will be relatively slow without some form of financial assistance. Many hotels will have difficulty in investing because of the low levels of profit that they are making.

- There is some potential to attract the following types of new hotel development to the Island (either through the redevelopment of existing hotels and other suitable properties, or new build development), based on the current performance of these types of hotel product on the Island and in the South East more widely, and the hotel developer interest that we have identified:

    - Boutique hotels in Cowes, Ryde, Ventnor and possibly Shanklin (in the longer term);
    - Budget hotels in Newport, Ryde and possibly Cowes;
    - Country house hotels;
    - Spa hotels;
    - Golf hotels[3];
    - Adult only hotels;
    - Luxury family hotels;
    - Quality pub hotel accommodation;
    - Aparthotels;
    - Restaurants with quality rooms.

- There is a need to reduce the stock of hotel accommodation in Shanklin and Sandown in order to accelerate the upgrading and repositioning of hotels here.

[3] The potential for golf hotels is more likely to be in terms of the development of hotel accommodation (30-50 bedrooms) at existing golf courses rather than the development of major new golf hotels/ resorts (120 bedrooms +).

Key Messages

The key messages from the Hotel Futures Study are summarised as follows:

- There is a positive future for the Island's hotel industry;
- Hotels are slowly attracting new higher paying markets;
- The season is gradually extending;
- More hotels are staying open all year;
- Investment is happening;
- Quality is improving;
- Run down hotels are being bought up, with new owners investing in them;
- The Island is starting to see the development of more of a quality hotel offer.

But…..

- This will be a slow, gradual process of change;
- The coach holiday and school groups markets will remain important for many hotels and for extending the season;
- It will be difficult to secure strong, high-rated winter business for most hotels on the Island;
- Many hotels will find it difficult to upgrade and reposition;
- Some hotels need to be let go;
- There are barriers to investment in existing hotels and new hotel development that will need to be overcome;
- A clear and robust policy framework is needed to manage the process of change;
- A package of measures is needed to assist and accelerate change.

7. THE ISLE OF WIGHT HOTEL DEVELOPMENT STRATEGY 2006-2011

The Future Vision for the Island's Hotel Sector

The future vision for the Island's hotel industry is of a hotel sector that:

- Is vibrant and successful;
- Offers quality and diversity;
- Is commercially and environmentally sustainable;
- Meets market needs and customer expectations, both now and in the future;
- Helps to deliver wider objectives in relation to:
    - Spatial policy;
    - The Tourism Development Plan for the Island;
    - Economic development and regeneration;

Strategic Objectives

The strategic priorities for the future development of the Island's hotel sector are identified as follows:

a) To improve the quality and range of the Island's hotel offer;

b) To attract higher spending hotel customers;

c) To extend the season;

d) To reduce the current reliance on low-rated coach holiday business by many hotels;

e) To improve hotel profitability;

f) To improve the marketing and management skills of the Island's hoteliers;

g) To improve the quality of employment in hotels on the Island.

Priorities for Action

The Hotel Development Strategy is made up of six inter-related Priorities for Action:

Priority 1: Encouraging Investment in Existing Hotels

Priority 2: Attracting New Hotel Development

Priority 3: Destination Marketing Support

Priority 4: Destination Development

Priority 5: Business Support and Training for Hotels

Priority 6: Hotel Development and Retention Policies

Measures

Each Priority for Action comprises a series of measures:

Priority 1: Encouraging Investment in Existing Hotels

Measure	Lead Responsibility
a) Dissemination of the positive messages coming out of the Hotel Futures Study in terms of the stronger performance of higher quality hotels, and redevelopment/re-positioning opportunities.	IWT
b) The production of case study materials on beacon hotel investment projects that have taken place on the Island and in other resort destinations.	IWT/ TSE
c) A Hotel Grants Scheme (or other financial assistance (e.g. low interest loans or relief on business rates) to assist and accelerate investment in existing hotels.	IWT
d) Promotion of the new national rating scheme for serviced accommodation, particularly in terms of encouraging and supporting some existing 2 star hotels to reposition themselves as 4 or 5 star guest accommodation.	IWT
e) Positive planning policies and support for hotel extensions and redevelopment and upgrading projects, including support for major redevelopment schemes that may involve partial conversion to residential or self-catering (see Priority 6).	IWC

Priority 2: Attracting New Hotel Development

Measure	Lead Responsibility
a) A Hotel Investment Campaign for the Island	IWT
b) Positive planning policies and support for new hotel development, including support for associated enabling development (e.g. residential) that will secure the viability of new hotel projects (see Priority 6).	IWC
c) Possible incentives for new hotel development, such as financial assistance or the provision of land and/or property at very low cost.	IWC/ IWEP
d) Creative deal options for hotel investors and operators, including joint ventures, management contracts and leases.	IWC/IWEP

Priority 3: Destination Marketing Support

Measure	Lead Responsibility
a) A co-ordinated tactical marketing campaign for off-peak leisure breaks	IWT
b) Co-ordinated direct marketing activity to target private groups, special interest groups and independent coach holiday operators	IWT
c) A discrete marketing campaign for the Island's quality hotels, possibly through the establishment of a marketing consortium of the such hotels	IWT
d) Discussions with the ferry operators about their pricing structures in the light of the findings of the Hotel Futures Study	IWT

Priority 4: Destination Development

Measure	Lead Responsibility
a) The development of shoulder season and winter events	IWT/ Private and Voluntary Sector
b) Keeping resort facilities open for more of the year	IWC
c) Steps to encourage attractions, shops, cafes and restaurants to open over a longer period during the year	IWT
d) Upgrading of Shanklin, Sandown and Ryde seafronts	IWC
e) The development of facilities to attract the emptynester and retired market out of season e.g. indoor bowling centres, ballrooms, spa facilities, golf centres	IWC/ Private Sector
f) The development of adventure and water sports to attract DINKs and SINKs and the corporate activity, team building and incentive markets	IWC/ Private Sector
g) The development and improvement of wet weather facilities and attractions for children	IWC/ Private Sector

Priority 5: Business Support And Training For Hotels

Measure	Lead Responsibility
a) The establishment of a Hotel Consultancy Service to assist the Island's hotels in repositioning	IWT/ Business Link
b) Preparation of case studies and models of best practice in relation to the repositioning and upgrading of hotels on the Island and the marketing of hotels to attract new markets and extend the season.	IWT/TSE
c) A 'Hotel Business Mentoring' programme, whereby leading hoteliers on the Island are encouraged to mentor and support other hotels	IWT/TSE
d) Marketing advice and training for the Island's hoteliers, particularly in relation to Internet and direct marketing.	IWT/TSE
e) Initiatives to encourage hotels to improve their food offer	IWT
f) A 'Train the Trainer' training and support programme for the Island's hotels	IWT/TSE
g) Initiatives to assist hotels in targeting new markets e.g. walkers and cyclists	IWT
h) Ongoing work to encourage hotels to participate in the national serviced accommodation rating scheme	IWT

Priority 6: Hotel Development and Retention Policies

Measure	Lead Responsibility
a) The development of robust core policies for hotels in the Local Development Framework, to be further developed in Area Action Plans and supported by Supplementary Planning Guidance	IWC
b) Proactive management of the loss of hotels, particularly in Shanklin and Sandown	IWC
c) Additional research to support these policies and their implementation.	IWC
d) Participation in TSE's best practice working group to further future policy development	IWC/TSE

Putting the Strategy into Action

The steps that need to be taken to put the Strategy into action are identified as follows:

- The **dissemination** of the Strategy to all interest parties, to include a Hotel Investment Seminar for key stakeholders;
- The formulation of **a work programme** for taking the Strategy forward that is achievable with existing and realistically available staff resources, budgets and external funding;
- Securing the necessary **budgets, staff resources, funding and national policy development** to implement this work programme effectively;
- Assigning **roles and responsibilities** for specific tasks and projects in the work programme;
- Ensuring effective **co-ordination** of the work of all individuals and organisations involved in the successful delivery of the work programme and Strategy through the establishment of a Hotel Development Co-ordinating Group
- Effective **monitoring** of progress, hotel development activity and trends in hotel performance on the Island

1. INTRODUCTION

1.1. BACKGROUND TO THE STUDY

The hotel sector is clearly a vital component of the Isle of Wight's tourism infrastructure, yet relatively little information is currently available about its performance and future prospects. Better quality information on the current performance of the Island's hotel industry and its future development potential is needed for a number of reasons:

- To inform and refine the Tourism Development Plan for the Island;
- To inform the drafting of planning policies for hotels in the new Local Development Framework, particularly in terms of hotel retention policies;
- To identify whether there is potential for new hotel development projects to be incorporated into some of the regeneration sites identified by the Economic Partnership.

In order to meet these requirements, Isle of Wight Tourism and Tourism South East have commissioned Tourism Solutions and ACK Tourism to undertake a review of the performance of the Island's hotel sector and to develop a Hotel Development Strategy for the Island.

1.2. STUDY OBJECTIVES

The objectives of the study were identified as follows:

a) To assess the current demand for hotel accommodation on the Island relative to the current hotel supply, with a view to identifying any areas of oversupply, gaps in current provision, and opportunities for new hotel development.

b) To identify ways of improving the quality of the Island's existing hotel supply.

c) To evaluate whether the regeneration sites identified by the Economic Partnership have the potential to attract new hotel development projects.

d) To establish an evidence base to inform future planning polices for hotels, particularly in terms of potentially increased flexibility in relation to hotel retention policies.

1.3. SCOPE OF THE STUDY

The study has focused on hotels with more than 10 letting bedrooms, and has covered both star and diamond-rated hotels[4] and non-inspected hotels.

1.4. RESEARCH AND CONSULTATIONS

The study has included the following research and consultations:

a) A review of relevant current policy and strategy documents.

b) A review of available relevant research reports, including national research on the coach holiday market.

c) A review of the accommodation audit undertaken by Isle of Wight Tourism in 2004.

d) A programme of face-to-face and telephone interviews with a sample of owners and managers of hotels on the Island. A total of 53 hotels were covered by the interview programme (listed at Appendix 1), covering a good cross-section of hotels of different standards and styles of operation and across all parts of the Island (although with a focus more on Shanklin and Sandown, which account for the largest concentrations of hotels of the Island).

e) A review of hotel occupancy data for the Island held by Tourism South East. This provided an insight into the performance of a further 19 hotels.

f) A survey of a sample of coach holiday operators that currently come to the Island (reported at Appendix 2).

g) Consultations with key officers in Isle of Wight Tourism, the Isle of Wight Partnership and Isle of Wight Council planning, economic development and property departments.

h) A review of existing regeneration sites and other sites identified for hotel development.

i) A review of current and recent planning applications relating to change of use of hotels, new hotel development and the upgrading and extension of existing hotels.

j) A survey of hotel developers and investors to gauge their interest in developing on the Island.

k) A survey of hotel property agents to assess the strength of the market for buying hotels on the Island.

[4] Diamond-rated guest accommodation establishments using the word 'hotel' or 'inn' in their name.

2. CURRENT HOTEL SUPPLY AND INVESTMENT

2.1. CURRENT HOTEL SUPPLY

On the basis of the accommodation audit undertaken by Isle of Wight Tourism in 2004, supplemented by our research findings[5], we estimate that there are currently 227 hotels[6] on the Isle of Wight, with a total of 5,358 letting bedrooms and 11,955 bedspaces.

2.1.1. Standard of Hotels

An analysis of the Island's current hotel supply by standard of hotel gives the following breakdown:

ISLE OF WIGHT HOTEL SUPPLY – BY STANDARD OF HOTEL – SEPTEMBER 2005

Standard	Estabs	Rooms	Bedspaces	% of Estabs	% of Rooms
5 star	0	0	0	0	0
4 star	1	55	119	0.4	1.0
3 star	22	749	1,655	9.7	14.0
2 star	42	1,380	3,188	18.5	25.7
1 star	1	14	47	0.4	0.3
All star-rated hotels	66	2,198	5,009	29.1	41.0
5 diamond	0	0	0	0	0
4 diamond	51	656	1,547	22.5	12.2
3 diamond	51	626	1,501	22.5	11.7
2 diamond	6	117	267	2.7	2.2
1 diamond	0	0	0	0	0
All diamond-rated hotels	108	1,399	3,315	47.6	26.1
Budget hotels	1	68	136	0.4	1.3
Non-inspected hotels	52	1,693	3,495	22.9	31.6
TOTAL	**227**	**5,358**	**11,955**	**100.0**	**100.0**

Source: IOWT Accommodation Audit 2004 supplemented by Tourism Solutions/ ACK Tourism research

[5] On the basis of our research we have been able to update some of the information in the 2004 accommodation audit undertaken by IWT. We have not, however, fully checked all of the information in the audit. This was outside the scope of the study.

[6] Defined as all star-rated hotels, diamond-rated guest accommodation using the word 'hotel' or 'inn' in its name, and non-inspected serviced accommodation establishments using the word 'hotel' or 'inn' in their name.

Key observations on the standard of the Island's hotels are as follows:

- The majority of the Island's hotels (63.5%) have either 2 star or 3 or 4 diamond ratings;
- Diamond-rated hotels account for almost half of the Island's hotels but only a quarter of hotel rooms, as they are mainly small hotels;
- The Island has a smaller number of 3 star hotels;
- The Island has only one 4 star hotel, and no 5 star hotel;
- There are no 5 diamond hotels on the Island (although a number of 5 diamond B&Bs);
- There is only one budget hotel on the Island – the Newport Premier Travel Inn;
- 77% of the Island's hotels are inspected;
- Non-inspected hotels account for just under a quarter of the Island's hotels, but almost a third of hotel rooms, as they include a number of large coaching hotels. Our research suggests that most of these coaching hotels are unlikely to take part in the national grading scheme. They see no need to do so as they are catering primarily for coach holiday groups and have no need to market themselves through Isle of Wight Tourism;
- Our research also identified a number of currently inspected hotels that are considering withdrawing from the national grading scheme because they feel that they are getting sufficient business without needing to be inspected in terms of repeat business and/or through the Internet.
- 10 (7%) of the Island's hotels have special awards for food and high quality:

ISLE OF WIGHT HOTELS WITH SPECIAL AWARDS – SEPTEMBER 2005

Hotel	Award
George, Yarmouth	3 AA Rosettes
The Royal, Ventnor	2 AA Rosettes
Priory Bay, Seaview	2 AA Rosettes
Seaview, Seaview	2 AA Rosettes
Windmill Inn, Bembridge	1 AA Rosette
Farringford, Freshwater	1 AA Rosette
The Lake, Ventnor	AA Red Diamond Award
The Havelock, Shanklin	ETC Gold Award
Wellington, Ventnor	ETC Silver Award
Burlington, Ventnor	ETC Silver Award
The Leconfield, Ventnor	ETC Silver Award
Heatherleigh, Shanklin	ETC Silver Award
Rylstone Manor, Shanklin	ETC Silver Award
Hillside, Ventnor	RAC Dining Award
Sentry Mead, Totland Bay	RAC Dining Award
Country Garden, Totland Bay	RAC Dining Award

2.1.2. Size of Hotels

ISLE OF WIGHT HOTEL SUPPLY – BY SIZE OF HOTEL – SEPTEMBER 2005

Size of Hotel – Number of Rooms	Estabs	Rooms	Bedspaces	% of Estabs	% of Rooms
1-10	71	549	1,289	31.3	10.2
11-20	77	1,156	2,742	33.9	21.6
21-30	36	932	2,141	15.9	17.4
31-40	10	343	780	4.4	6.4
41-50	8	364	807	3.5	6.8
51-100	21	1,428	3,071	9.3	26.7
101-200	3	352	674	1.3	6.6
201+	1	234	451	0.4	4.3
Total	**227**	**5,358**	**11,955**	**100.0**	**100.0**

Source: IOWT Accommodation Audit 2004 supplemented by Tourism Solutions/ ACK Tourism research

- Hotels on the Island are predominantly small, with 65% having fewer than 20 rooms, and 81% having fewer than 30;

- Diamond-rated hotels are generally small: 91% have fewer than 20 rooms;

- 3 star hotels are mainly medium-sized, typically with around 25-30 bedrooms;

- The Island has 25 larger hotels with more than 50 bedrooms, accounting for over a third of hotel rooms. These are mainly 2 star and non-inspected coaching hotels;

- The largest hotel on the Island is Warner's Bembridge Coast with 234 rooms.

2.1.3. Location of Hotels

While we have not undertaken a detailed analysis of the Island's hotel stock by location, we would make the following observations on the distribution of hotels across the Island:

- The main concentrations of hotels on the Island are in Shanklin and Sandown.

- Ventnor is a secondary focus of hotel accommodation;

- West Wight, Cowes, Newport, Ryde and East Wight have much smaller numbers of hotels;

- The hotels with special awards for food are located in Ventnor, West Wight and Seaview/ Bembridge. Three hotels in Shanklin have ETC awards for quality. No hotels in Sandown have special awards for food or quality;

- Coaching hotels are located primarily in Shanklin and Sandown. There are also 2 coaching hotels in Ryde.

2.2. CURRENT PRICES

An analysis of the 2005 Isle of Wight Guide provides the following overview of current published hotel prices on the Island:

ISLE OF WIGHT HOTELS – PRICES 2005

Standard of Hotel/ Season	Published Prices 2005			
	Half Board Rates[1] £		B&B Rates[1] £	
	Range	Average Price	Range	Average Price
3/4 Star				
Low	36-75	60	30-60	50
Mid	47-75	64	37.50-70	55
High	46-82	69	45-85	60
2 Star				
Low	28-57.50[2]	37.50	20-45	29
Mid	32-62.50[2]	41	24-55	33
High	35-74.50[2]	44.50	28-65	37.50
5 Diamond				
Low	n/a	n/a	45-65	50
Mid	n/a	n/a	45-75	53
High	n/a	n/a	45-85	58
4 Diamond				
Low	30-44	36	24-43	30
Mid	34-50	39.50	26-56	32.50
High	37-53	42	28-61	35
3 Diamond				
Low	27-50	34.50	19-28	24
Mid	31-50	36.50	22-30	26.50
High	30-52.50	38.50	25-33	29

Source: Tourism Solutions/ ACK Tourism analysis of Isle of Wight Guide 2005

Notes:

1. Price per person per night based on a 1 night stay
2. The top end of these ranges are car ferry-inclusive prices

Key observations on the current prices charged by hotels on the Island are as follows:

- The above price ranges and typical prices are based on published prices for a one-night stay. Most hotels offer reduced rates for weekly stays and 2-5 night breaks, and many run special offer promotions at substantially reduced rates in the low and mid season and for late availability bookings. Rates charged for coach holiday operators and school groups are also much lower (see Sections 3.1.3 and 3.1.6).

- Prices are higher for 3 star country house hotels and some 3/4 star hotels in Ventnor, West Wight, Cowes and East Wight.

- There is very little price differential between hotels of the same standard in Shanklin and Sandown.

- The prices charged by 5 diamond hotels are above the prices charged by many 3 star hotels.

- The prices charged by 4 diamond hotels are only slightly below those charged by 2 star hotels. In some cases they are higher.

- Some 4 diamond hotels in Ventnor and West Wight are charging higher prices than 4 diamond hotels in other parts of the Island.

- There is very little difference in price between 3 diamond hotels on the Island.

2.3. RECENT CHANGES IN HOTEL OWNERSHIP

While the study has not involved a comprehensive audit of changes in hotel ownership, our research shows a steady turnover in the ownership of hotels on the Island. Of the 53 hotels that we interviewed, over a third had come under new ownership in the last 3 years.

A number of very run down hotels that have seen little investment by their previous owners have been bought up in the last 2 years, with new owners investing in putting them back in good order and improving quality. Examples include the Mayfair (Shanklin), Melbourne Ardenlea (Shanklin), Sands (Sandown), Marina Bay (Sandown), and Wellington (Ventnor).

New owners include:

- Existing Island hoteliers buying additional hotels on the Island e.g. Garden Isle Hotels taking over Luccombe Hall, Janzen Hotels buying the Melbourne Ardenlea
- Property developers buying hotels with a view to investment e.g. the Wellington (Ventnor), Medehamstede (Shanklin);
- Coach holiday operators buying hotels on the Island e.g. Dukes Holiday Hotels' purchase of the Grand (Sandown)
- People that have owned hotels in other parts of the country e.g. the new owners of the Leconfield (Ventnor) and Country Garden (Totland Bay);
- Individuals entering the hotel industry for the first time.

Our consultations with local agents on the Island suggest that there remains a market for buying and selling hotels on the Island. The market has dropped back in the last 2 years, more notably in the past 6 months, but remains at a steady level. The slowdown in the housing market – particularly in the Home Counties from which the Island traditionally draws buyers – is one factor; the tightening of lending criteria by the banks another. Hotels appear to fetch a premium on the Island compared to the mainland, because of the perceived lifestyle benefits, and local agents report more wealthy investors than in the past. Nonetheless, they emphasize that hotels must show maximum profits, provide good accounts to back up the sale of the business, and be prepared to price competitively, if they are to attract buyers.

2.4. HOTEL CLOSURES

Our research has identified the following recent hotel closures:

- Metropole, Ventnor – demolished for apartment development
- Bungalow, Shanklin (20 bedrooms) – currently under development for residential apartments
- Biskra Beach, Ryde (13 bedrooms)
- Teneriffe, Ryde (50 bedrooms)
- Roundhouse, Ryde
- Midland, Ryde
- Newlands, Ryde

2.5. RECENT HOTEL INVESTMENT

Around 80% of the hotels that we interviewed indicated that they have invested in their properties over the past 2-3 years. In many cases this has been ongoing redecoration and refurbishment work, with hotels reinvesting their profits as and when they can. In many cases the pace of such investment has been relatively slow as hotels are not making significant profits.

There have, however, been some examples of investment in major refurbishment and upgrading programmes e.g. at Melville Hall (Sandown), Bourne Hall (Shanklin) and the Fountain (Cowes).

In a number of cases the new owners of previously run down hotels have invested significantly in improving the fabric of their properties, with investment in for example new roofs, boilers, central heating, windows, carpets, beds and landscaping. In some cases this has left little money for investment in improving the quality of hotels until money from operating profits becomes available for reinvestment.

A number of major hotel investment projects have taken place over the last 2 years:

- The Wellington in Ventnor reopened in May 2004 as a boutique hotel following a £1.5 million refurbishment of this former derelict hotel;
- The Sandpiper's at Freshwater has just completed the development of 14 de luxe bedrooms, conference and function rooms and spa facilities;
- The Premier Travel Inn in Newport (which only opened in 2001) completed a 28-bedroom extension in January 2005;
- The owners of Lugley's Restaurant in Newport opened the Braunstone House Hotel;
- David Thomson, owner of the Pond Café at Bonchurch is in the process of redeveloping the Hambrough Hotel in Ventnor as a boutique hotel.

Previous to this, the most significant hotel investment project on the Island was the development of the Warner's Bembridge Coast Hotel. This was completed in 1998, with a total investment of £8 million.

Three new hotels have opened (or re-opened) on the Island in the last 5 years:

ISLE OF WIGHT – NEW HOTEL OPENINGS 2000-2005

Hotel	Rooms	Year Opened
Premier Travel Inn, Newport	40[1]	2001
The Wellington[2], Ventnor	28	2004
Braunstone House, Newport	5	2004

Notes:
1. Expanded to 68 rooms in 2005
2. Major redevelopment of an existing derelict hotel

The Island is beginning to see the development of a quality hotel offer, with the development of boutique hotels, such as The Wellington and Hambrough in Ventnor and new hotels offering high quality food, such as the Braunstone House Hotel and the Windmill Inn at Bembridge, to complement established quality hotels such as the Priory Bay at Seaview, The George at Yarmouth, The Royal at Ventnor, the Seaview and the Farringford at Freshwater.

A few of the hotels that we spoke to indicated that it is very difficult for them to invest in improving their quality as their profits are not sufficient to allow reinvestment. These were generally hotels that are trading primarily in the low-rated national coach holiday market. We suspect that there are other hotels at this end of the market that are in similar positions.

A number of hotels have added leisure facilities and spa treatment rooms. Such developments have generally been very small.

2.6. PLANNED INVESTMENT IN EXISTING HOTELS

The 3 and 4 star hotels that we interviewed generally indicated an intention to continue to invest in the ongoing refurbishment and upgrading of their hotels. Some 3 star hotels are looking to gradually move more upmarket. None indicated ambitions to go to 4 stars. One 3 star hotel is considering downsizing through conversion of part of the property to self-catering accommodation with the intention of then improving the quality of the remaining part of the hotel.

Some 3 and 4 star hotels are considering developing leisure and spa facilities and in one case conference facilities.

Many of the 2 star hotels that we interviewed are planning to slowly upgrade. A few are looking at going up to 3 stars with a view to attracting more private guests and increasing prices. A number indicated that they would remain at 2 stars either because their rooms are too small to go to 3 stars; they could not justify the investment to go to 3 star; or because the increased operating costs for a 3 star hotel may not necessarily result in increased profits and give a sufficient return on investment.

One 2 star hotel is considering converting half of the hotel to self-catering accommodation in order to help improve the quality of the remaining part of the hotel.

Some of the hotels that are trading primarily with national coach holiday operators indicated that they are not making sufficient profits to reinvest in improving their hotels. Some of these hotels are getting very run down. In some cases owners have been there for many years. Some are approaching retirement and appear to have little interest in investing in their properties, or vision to develop their business and attract new markets. There are, however, people that are prepared to buy up these run down hotels and invest in them.

Most of the 4 diamond hotels that we spoke to are planning to continue to invest in upgrading their facilities. One indicated plans to go up to 5 diamonds. Some of the 3 diamond hotels that we spoke to also indicated plans for ongoing investment in improving their quality.

Many of the hotel owners that we spoke to, even the owners of better run and higher quality hotels, indicated that they would sell up for residential development if they could. Hoteliers clearly recognise that their hotels are worth much more for residential development than they are as hotels.
A number of hotel owners that are planning to invest in upgrading their hotels indicated that financial assistance would help them to bring their plans forward more quickly; could enable them to upgrade to a higher standard; or would help to reduce the risk for more significant investment in, for example, leisure and conference facilities.

One hotel indicated having had considerable difficulty in securing planning permission for an extension. Two other hotels expect to have difficulty in securing planning permission for expansion and development projects that they would like to undertake.

2.7. SUMMARY OF KEY POINTS

Key points from this section of our report are as follows:

- The Isle of Wight currently has 227 hotels[7] with a total of 5,358 letting bedrooms and 11,955 bedspaces.

- The majority of hotels on the Island are small 2 star and diamond-rated hotels concentrated in Shanklin and Sandown. Ventnor is a secondary focus of hotel accommodation. West Wight, Cowes, Newport, Ryde and East Wight have smaller numbers of hotels;

- The Island has fewer 3 star hotels, only one 4 star hotel and no 5 star or 5 diamond hotels (although a number of 5 diamond B&Bs).

- There are 25 larger hotels on the Island with more than 50 bedrooms. These are primarily 2 star and non-inspected coaching hotels;

- 77% of the Island's hotels are currently inspected under the national grading scheme. Non-inspected hotels account for almost a third of hotel rooms on the island, however. Many of these are coaching hotels that do not see a need to be inspected.

- A few of the Island's hotels have special awards for quality and food. These are located primarily in Ventnor, West Wight and East Wight. Some hotels in Shanklin have special awards for quality. No hotels in Sandown have awards for food or quality.

- There would appear to be a strong market for people wanting to buy hotels on the Island;

- Companies and individuals are prepared to buy and invest in run down hotels on the Island (if the price is right);

- Many hotels are investing in improving their quality and upgrading;

- The Island is slowly beginning to see an improvement in the quality of its hotel stock, with the refurbishment and upgrading of a number of hotels and the development of boutique hotels in some parts of the Island;

- For many hotels the process of refurbishment and upgrading is a slow process as they do not generate sufficient profits for more significant and rapid investment;

- Hotels that are trading primarily in the low-rated coach holiday market appear to be generating insufficient profits to allow reinvestment in quality improvement;

[7] Defined as all serviced accommodation establishments using the word 'hotel' or 'inn' in their name – including star-rated hotels, diamond-rated establishments and non-inspected hotels and inns.

- Many hotels would sell up for residential redevelopment if they could.
- Financial assistance would help to accelerate hotel improvement and development projects.

3. CURRENT HOTEL PERFORMANCE

3.1. OCCUPANCY

3.1.1 Average Annual Room Occupancy 2004

On the basis of our research we estimate average annual room occupancies for the Island's hotel sector by standard of hotel as follows for 2004:

ISLE OF WIGHT HOTEL SECTOR
AVERAGE ANNUAL ROOM OCCUPANCY 2004

Standard of Hotel	Average Annual[1] Room Occupancy 2004 %	Range in Average Annual Room Occupancies %
3/4 Star[2]	56	36-71
2 Star[3]	67.5	28-85
4/5 Diamond[4]	46	28-61
3 Diamond[5]	42	17-69
Budget	n/a[6]	n/a[6]
All Hotels	**62[7]**	

Source: Tourism Solutions/ ACK Tourism (for sample see Appendix 1)

Notes:

1. Annualised occupancy figures have been calculated for seasonally operating hotels based on the seasonal occupancy figures provided by these hotels
2. Sample excludes the Bembridge Coast hotel
3. Sample includes some non-inspected hotels that trade in the 2 star market
4. Some 5 diamond B&Bs were included in the sample
5. Sample includes some non-inspected hotels
6. We are unable to report any figures for budget hotels as the Newport Premier Travel Inn is the only budget hotel on the Island
7. The figure for all hotels differs from the results of the TSE accommodation occupancy survey due to differences in sample. The figures published by TSE also include guest houses and B&B establishments, which are likely to be achieving lower occupancies than hotels. The TSE sample does not include any of the large non-inspected coaching hotels that have been included in our sample. The high occupancies that these hotels achieve are a key contributor to the higher hotel occupancies that we have reported compared to the figures published by TSE.

3.1.2 Variations in Occupancy by Standard and Location

Our research has identified the following variations in occupancy performance by standard and location[8] of hotel on the Island:

- There is relatively little difference in occupancy performance between ¾ star hotels across the Island. Most hotels achieved average annual room occupancies of around 55-60% in 2004. One 3 star hotel in Shanklin and one in Cowes achieved higher occupancy levels of around 70%. Some 3 star hotels achieve very low annual occupancies of around 35-40%. These hotels are not confined to specific parts of the Island.

- There is very little difference in occupancy performance between 3 and 4 star hotels on the Island.

- Some of the Island's smaller more upmarket 3 star hotels with special awards for food are achieving higher average annual occupancies of around 70%.

- The Warner's Bembridge Coast Hotel achieves very high occupancies. This hotel is unique on the Island in terms of its size (234 bedrooms), range of leisure facilities, activities and entertainment, and national Warner's branding and marketing. Its figures have not been included in the above average annual room occupancy figures for the Island's 3 star hotels as they would distort the overall picture for the Island's 3 star hotel sector.

- 3 star hotel occupancies on the Island are on a par with occupancies for New Forest 3 star hotels (an average of 57% in 2004[9]). We suspect that they are also consistent with 3 star hotel occupancy performance in other leisure destinations. They are well below the national 3/4 star chain hotel average (70.8% in 2004[10]) and Hampshire 3 star average (67% in 2004) due primarily to the lack of business demand on the Island to give good year round occupancies.

- 2 star hotels that trade primarily in the coach holiday market generally achieve high average annual room occupancies (75-85% in many cases) and long seasons (but usually low rates).

- 2 star hotels that operate on a seasonal basis achieve lower annualised occupancies than those that open all year, although can achieve high occupancies during their opening period.

- Some smaller 2 star hotels that are trading purely in the private market are achieving very low occupancies. Some achieve high occupancies, however.

- Shanklin 2 star hotels achieve slightly higher occupancies that Sandown 2 star hotels, but not significantly so.

[8] The sample size for the study does not allow the publication of occupancy figures for specific locations on the Island.
[9] Source: Hampshire Hotel Trends Survey 2003-2004
[10] Source: TRI Hospitality Consulting Hotstats UK Hotel Chain Market Review

- 3/4 star hotels that cater primarily for private guests generally achieve higher occupancies than 2 star hotels that trade in this market.

- 4/5 diamond hotels in Ventnor achieve higher occupancies (50-60%) than those in Shanklin and Sandown.

- Some 4/5 diamond hotels achieve higher occupancies than 2 star hotels that cater primarily for private guests.

- 3 diamond hotels generally achieve lower occupancies than 4 diamond hotels.

- Some 3 diamond hotels achieve very low occupancies.

- One 3 diamond hotel in Ryde reported good occupancies of around 70%.

- Diamond-rated hotels that open all year do not necessarily achieve higher annual occupancies than hotels that operate only on a seasonal basis.

- Hotels with special awards for food or service generally achieve higher levels of occupancy.

- Hotels with good leisure facilities also generally achieve higher occupancies.

- Less well located hotels in Shanklin and Sandown (those on the periphery of the resorts or in side streets) generally achieve lower occupancies than more centrally located and seafront hotels.

- Although we are unable to report any figures for budget hotels on the Island, we understand that the Newport Premier Travel Inn is trading well throughout the year.

3.1.3 Occupancy Trends

Hotel occupancies on the Island across all standards and locations appear to have been fairly steady overall in the past 3 years. Occupancies have increased for some hotels, but reduced for others. 2003 appears to have been a particularly good year due to the good weather that year. Many hotels reported a drop in occupancy in 2005 due to a poor start to the season due to the early Easter this year.

Key factors behind increased occupancies were identified as follows:

- Investment in improved hotel facilities;
- Increased marketing, particularly aimed at boosting low and mid season occupancies.
- Growing levels of repeat business due to the quality of service and welcome provided.

Key factors behind reduced occupancies were as follows:

- Hotels changing their business and marketing strategies to go more for rate than occupancy. One hotel has come entirely out of the coach holiday market. Occupancies have dropped as a result, but achieved rates have increased significantly. Another hotel has stopped promoting so many special offers, with the result that occupancies have reduced, but achieved rates increased.
- Occupancies have dropped for some hotels that have been up for sale;
- A lack of investment has contributed to reduced levels of repeat business and a consequent fall in occupancies for one hotel;
- Internal management difficulties were identified as the reason for a drop in occupancies for one hotel.

3.2. SEASONALITY

3.2.1 Seasonal Patterns of Demand

Our research provides the following insight into seasonal patterns of occupancy for the Island's hotel sector:

ISLE OF WIGHT HOTEL SECTOR
SEASONAL OCCUPANCY PATTERNS 2004

Standard of Hotel	Typical Room Occupancies[1]		
	High Season (June –Sept + Easter, Bank Hols, Christmas)	**Mid Season May/ October**	**Low Season (November-April)**
3/4 Star	▪ 80-95% ▪ most hotels fill mid July –August ▪ occupancies can dip early July ▪ no difference between weekday and weekend occupancies	▪ 50-75% ▪ weekends are generally busier – hotels often fill at weekends	▪ 30- 50% (Nov, March, April) ▪ December and January can be very low (10-20%) apart from Christmas/ New Year (when hotels that are open will usually fill) ▪ weekends are busier than weekdays in most locations, apart from Cowes where weekday occupancies are stronger due to midweek business demand
2 Star (catering primarily for coach holidays)	▪ 80-95% ▪ no difference between weekday and weekend occupancies	▪ 70-95% ▪ many coaching hotels also achieve these levels of occupancy in April, and November and December (through Turkey & Tinsel breaks) ▪ no difference between weekday and weekend occupancies	▪ 30-60% (Jan-March) ▪ January occupancies can be very low – 20-30% ▪ many hotels close in January and in some cases February ▪ weekdays are much stronger than weekends – many hotels attract very little demand at weekends
2 Star (catering primarily for private guests)	▪ 80-95% ▪ no difference between weekday and weekend occupancies	▪ 50-70% ▪ weekends are generally stronger than weekdays ▪ hotels that cater for school groups achieve high midweek occupancies (95-100%) in May and June	▪ very low occupancies

Source: Tourism Solutions/ ACK Tourism
Notes:
1. The figures quoted in the table are the most typical ranges of occupancy figures reported by hotels where figures were given. A few hotels reported higher or lower figures than the ranges shown

Standard of Hotel	Typical Room Occupancies[1]		
	High Season (June –Sept + Easter, Bank Hols, Christmas)	**Mid Season May/ October**	**Low Season (November-April)**
4/5 Diamond	▪ 70-100% ▪ most hotels fill at weekends ▪ some 4 diamond hotels achieve lower high season occupancies – around 60-65%	▪ 50-70% ▪ weekends are generally busier – hotels will often fill at weekends	▪ very low - 15-30% ▪ many hotels that open all year are empty or virtually empty between November and February
3 Diamond	▪ 70-90% (June-August) ▪ September occupancies can be lower – 45-50% ▪ some 3 diamond hotels achieve low occupancies in the high season – around 40%	▪ 40-50% - lower for some 3 diamond hotels ▪ hotels that cater for school groups achieve very high (90-100%) occupancies in May and June	▪ very low – 5-20% ▪ many hotels that open all year are empty or virtually empty between November and February

Source: Tourism Solutions/ ACK Tourism
Notes:
1. The figures quoted in the table are the most typical ranges of occupancy figures reported by hotels where figures were given. A few hotels reported higher or lower figures than the ranges shown

3.2.2. Seasonality- Key Findings

The key findings of our research regarding the seasonality of the Isle of Wight hotel market are summarised as follows:

- Seasonality is clearly a key feature of the Isle of Wight hotel market. Demand is highly seasonal for many hotels and many close during the winter. There are, however, some signs of the season extending, and increasing numbers of hotels staying open all year.

- Hotels that cater primarily for the coach holiday and group tour market achieve the longest season, with many attracting virtually year-round demand from this market, other than in January. Early and late season coach holiday business is at very low rates, however.

- The main season for Isle of Wight hotels is between June and September, with many hotels achieving very high occupancies during these months and often filling. Both weekday and weekend occupancies are strong at this time of year, with many hotels catering primarily for weekly stays during these months.

- Some diamond-rated hotels do not achieve such high occupancies in the summer.

- Occupancies can dip in early July for hotels that are catering primarily for private guests.

- September has become a strong month for many hotels.

- Shoulder season months for hotels that are primarily catering for private guests are May and October. Weekend occupancies can be very strong during these months, with many hotels often filling at weekends. Some hotels achieve relatively low occupancies during these months, however.

- Hotels that cater for school groups achieve very high midweek occupancies in April, May and June.

- Winter occupancies are generally very low, other than at Christmas and New Year (for those hotels that open then). Some hotels attract a degree of weekend demand during the winter. Midweek occupancies are generally very low, other than for some hotels in Cowes and Ryde (and we suspect also Newport[11]), which attract business customers and contractors throughout the year.

- Many hotels close during the winter. Many of those that are open all year are empty or virtually empty for much of the winter. Many choose to remain open primarily so that they can retain their staff, or because owners live on site anyway. Most hotels that are open all year indicated that they do not make money during the winter.

- The Island's hotels most want additional business in April, May, October and early July, particularly midweek, and in the winter.

3.3. MARKET MIX

The table overleaf summarises the key findings of our research regarding the market mix for hotels on the Island. The key points to note in terms of market mix are as follows:

- Short breaks (2-4 nights) are the primary market for most hotels that cater primarily for private guests, for all standards of hotel.

- Week-long holidays are the key secondary market for many of these hotels, and can be of primary importance for some diamond-rated hotels that cater predominantly for this market between June and September.

[11] No Newport hotels are included in our sample of hotels

- Coach holidays and groups are the primary market for many of the larger 2 star hotels that primarily target these markets. Some of these hotels also attract good levels of demand from private guests, for both short breaks and week-long holidays, with some of them not taking coach holidays in the summer months. Other hotels cater almost exclusively for coach holidays.

- School groups are an important secondary market for many 2 star and diamond-rated hotels in terms of generating early season business.

- Residential conferences, weddings, Masonic lodge weekends and special interest groups are secondary markets for some 3/4 star and 2 star hotels.

- Rambling clubs are a key market for one hotel that specifically targets this market. Other hotels also attract rambling clubs.

- Business visitors, sales reps and contractors/ workmen working on the Island are a secondary or minor market for hotels in most parts of the Island, other than Cowes, Ryde and Newport[12], where demand from these markets is more significant.

- Overseas leisure visitors are a minor market for almost all hotels on the Island.

- Events are generally a minor market overall for hotels on the Island. This is because most events are held at times when hotels are already busy with demand from other markets that can deliver better business for them. Events often only generate 1- 2 night stays, single occupancy and B&B rates, while other markets can deliver longer stays, double occupancy and half board rates at event times. Some hotels do attract significant business from certain events, such as the Isle of Wight Festival, Bestival, Garlic Festival and White Air. Hotels in Cowes attract good demand from sailing events, races and regattas.

[12] No Newport hotels were included in our sample of hotels. We suspect, however, that hotels here attract good levels of business demand.

ISLE OF WIGHT HOTEL SECTOR – MARKET MIX 2004

Standard of Hotel	Key Markets	Secondary Markets for Most Hotels	Secondary Markets for Some Hotels	Minor Markets
3/4 Star	▪ Short breaks (60-85% of total demand)	▪ Week-long holidays (5-15% of total demand – mainly in the summer months) ▪ Business visitors (5-10% of total demand in most locations - apart from Cowes and Ryde, where business visitors can account for 40-45% of total roomnights)	▪ Residential conferences (up to 10% of total demand for a few hotels) ▪ Weddings (10-30% of total roomnights for some hotels – particularly country house hotels and hotels in Cowes [weddings held at the Yacht Club]) ▪ Groups – private + special interest ▪ Sailing events (for Cowes hotels)	▪ Overseas leisure visitors ▪ Events ▪ Masonic lodge weekends (for one hotel)
2 Star (catering primarily for coach holidays)	▪ Coach holidays/ groups (50-95% of total demand – 90-95% for many hotels)	▪ Short breaks (5-47% of total demand – 5-10% in most cases) ▪ Week-long holidays (3-20% of total demand – 5% in most cases)	▪ School groups ▪ Special interest groups	▪ Business visitors ▪ Contractors/ workmen ▪ Weddings ▪ Events ▪ Masonic lodge weekends
2 Star (catering primarily for private guests)	▪ Short breaks	▪ Week-long holidays	▪ School groups	▪ Business visitors ▪ Contractors/ workmen ▪ Overseas leisure visitors ▪ Events
4/5 Diamond	▪ Short breaks (30-75% of total demand) ▪ Week-long Holidays (for some hotels) ▪ Rambling clubs (for one hotel)	▪ Week-long holidays ▪ Short breaks	▪ School groups	▪ Business visitors ▪ Overseas leisure visitors ▪ Events
3 Diamond	▪ Short breaks ▪ Week-long holidays		▪ School groups	▪ Business visitors ▪ Contractors/ workmen ▪ Overseas leisure visitors ▪ Events

Source: Tourism Solutions/ ACK Tourism

3.4. MARKET INSIGHT

Our research has provided the following insight into the different markets for hotel accommodation on the Island:

3.1.1. Short Breaks

- Short breaks are the main market for many hotels of all standards in most parts of the Island, other than Cowes, where the short break market is not as strong.

- There are 3 main short break market segments that the Island attracts:

ISLE OF WIGHT HOTEL SECTOR – SHORT BREAK MARKET SEGMENTS

Market Segment	Visiting Patterns
Emptynester/Retired Couples (50+)	Visit at weekends and midweek – retired couples tend to come primarily in the week
Career Couples	Visit primarily at weekends
Families	Visit primarily at weekends and in school holidays

Some hotels do not take families as they do not feel that this market will mix with their emptynester and retired customers.

- The key generating areas for short break customers for the Island's hotels are as follows:

  - Hampshire
  - London
  - South East
  - Home Counties
  - Midlands
  - West Country

Some hotels reported strong demand from Southampton and Portsmouth, particularly in terms of last minute midweek breaks by retired couples.

London is a key generating area for weekend breaks by Career Couples.

- In terms of socio-economic profile 3/4 star and some 4/5 diamond hotels appear to attract primarily ABC1 short break customers, while 2 star and other diamond-rated hotels attract mainly BC1C2 customers.

- Many hotels attract high levels of repeat and regular short break business.

- Most short break business is at double occupancy and dinner, bed and breakfast rates. Demand for B&B break rates is growing, however, particularly at the weekend.

- The strongest demand for short breaks is in the shoulder season, particularly at weekends. Many hotels restrict short stays during the summer months when they can attract primarily week-long stays.

3.1.2. Week-Long Holidays

- The week-long holiday market is primarily families visiting in the main summer school holidays. Hotels with family suites or rooms attract strong demand from this market.

- Families tend to be younger families with primary school or pre-school age children. Families with pre-school age children will also come for week-long holidays in June and September.

- Some hotels also attract week-long holiday business from the emptynester and retired couples market, particularly in June, early July and September, as well as in the school holidays in some cases.

- Many hotels attract high levels of repeat and regular business for week-long holidays.

- Hotels do still attract some fortnight holiday stays, but the vast majority are just for a week now.

3.1.3. Coach Holidays and Groups[13]

- Most of the larger 2 star and non-inspected hotels in Shanklin and Sandown are reliant on the coach holiday and groups market.

- There are 3 distinct market segments in the coach holiday and groups market:

ISLE OF WIGHT HOTEL SECTOR – COACH HOLIDAY/ GROUPS MARKET SEGMENTS

Market Segment	Volume and Value of Business
National coach holiday operators	▪ High volume ▪ Low rates
Independent coach holiday operators	▪ Smaller volume ▪ Better rates
Private groups, clubs and associations, special interest groups	▪ Small volume ▪ Some private groups will pay good rates ▪ Some social clubs and associations will only pay very low rates

[13] Additional research has been undertaken to supplement the information about the coach holiday and groups market that was gathered through the hotel interviews and consultations. This included a review of available research reports on the coach holiday market and a survey of a small sample of coach holiday operators. The findings of these pieces of research are reported at Appendix 2

- The rates paid by coach holiday operators are generally low. Typical rates were reported as follows by the Island's hotels:

ISLE OF WIGHT HOTEL SECTOR – COACH HOLIDAY/ GROUP RATES

Season	**Typical Coach Holiday Rates (Per person per night Dinner, Bed & Breakfast + evening entertainment) £**
Low Season	14-24
Mid Season	24-28
High Season	21-35

Source: Tourism Solutions/ ACK Tourism

- Some national coach holiday operators pay very low rates, as low as £13.50 – 14 DBB per head in the low season, and only £20-21 in the high season. Hotels that are trading at this level reported that it is very difficult for them to make any profit at these rates. The coach holiday operators that trade at this end of the market are operating in highly price-sensitive markets, however, and claim that they would be unable to deliver the volumes of business that they do to the Island if they were to pay higher rates to hotels.

- Independent coach holiday operators generally pay higher rates. They do not deliver the volumes of business that national operators can, however.

- Some private groups will pay higher rates, up to £40-43 per head DBB.

- Coach holiday visitors are generally older people – usually elderly retired people in the week, and emptynester/ early retired at weekends.

- Many coach holiday visitors, particularly those on national coach holidays, are from the lower socio-economic groups and have low spending power.

3.1.4. Special Interest Groups

- One of the main types of special interest groups attracted to the Island is rambling clubs. The Hambledon Hotel in Shanklin specialises in this market. A number of other hotels of all standards reported attracting good business from rambling clubs. The typical size of a rambling club is around 20 people. They usually stay 4-5 nights and will visit both at weekends and midweek throughout most of the year. They usually book well in advance. They tend to be retired people so can often be flexible on dates. Some rambling clubs come initially for the Isle of Wight Walking Festival and then return at a later date.

- There is some demand from cycling clubs, although at a much lower level than from walking clubs.

- Other special interest groups that hotels on the Island attract include:

    - Dancing clubs
    - Bowls clubs
    - Skittles clubs
    - Cricket tours
    - Car clubs
    - Motorcycle clubs
    - Flying clubs
    - Morris dancing groups

- Some hotels hold themed weeks or weekends and special events (e.g. bowls tournaments, dance weekends) to attract these types of groups.

3.1.5. Walkers & Cyclists

- A number of hotels reported that they attract good business from walkers, both independent walkers and rambling clubs and groups.

- Demand from cyclists is at a much lower level and is primarily from cycling groups. A number of hotels reported that increasing numbers of their customers are bringing their bikes on the backs of their cars.

- Round-Island walkers and cycle tourers are less attractive for hotels as they are usually looking for only one-night stays.

3.1.6. School Groups

- School groups generate good weekday business for a number of 2 star and diamond-rated hotels on the Island between April and June.

- While rates are low (£21-25 per child, full board), this market enables hotels to fill at a time of year when they feel they would not be able to attract as much business from private guests. School groups also book a year in advance, so hotels know that they have guaranteed business a long way ahead.

- Most of the hotels that we spoke to that trade in this market indicated that they will continue to take school groups in the future. A number indicated that they intend to take more groups in 2006.

3.1.7. Events

- While events on the Island do generate demand for hotel accommodation, many hotels reported that they usually decline such business for a variety of reasons:

  - Many events are held at times when hotels are already busy and filling with demand from other markets;
  - Many people attending events only want B&B rates, when hotels can get dinner, bed & breakfast rates from other markets;
  - People attending events often only want 1-2 night stays, which would block out longer stays for hotels;
  - Some people attending events only want single occupancy when hotels can attract double occupancy from other markets;
  - Many coaching hotels rarely have availability for event visitors as they are full with coach groups.

- Some hotels do take business from events. The key events that these hotels reported as generating good business for them are as follows:

  - Isle of Wight Festival
  - World Motocross Grand Prix (mainly for Sandown hotels)
  - White Air (for Sandown hotels)
  - Bestival
  - Cowes Week (mainly for Cowes hotels, but also some hotels in other parts of the Island due to the lack of hotels in Cowes)
  - Garlic Festival
  - Scooter Rally
  - Concerts at Osborne House and Carisbrooke Castle

- Most hotels that we spoke to indicated that they get very little business from the Isle of Wight Walking Festival. A few hotels actively target business from this event, however.

- The Cycling Festival and Ventnor Jazz Divas Festival do not appear to generate much business for hotels on the Island.

- Sailing events and regattas generate good business for hotels in Cowes.

- Some hotels reported difficulties in getting ferry places for their customers when major events are being held on the Island.

3.1.8. Overseas Leisure Visitors

- Overseas leisure visitors are a very small market for most hotels on the Island. Few hotels actively target overseas leisure markets, however.
- One Dutch-owned hotel attracts good business from the Dutch market. Wight Merit Hotels has also undertaken marketing in Holland with some success.
- Most of the overseas leisure business that hotels attract comes through the Internet.
- The key nationalities of overseas leisure visitors are US, Dutch, German, French and Australian.
- Overseas leisure visitors come to the Island all year round, so can help to extend the season.

3.1.9. Business Visitors and Contractors

- Business visitors and contractors are a minor market for most hotels on the Island other than in Cowes, Ryde and Newport[14].
- A few 2 and 3 star hotels in other parts of the Island attract some demand from business visitors, sales representatives and contractors and workmen working on the Island.

3.1.10. Residential Conferences

- A few of the higher quality 3/4 star hotels attract some demand for residential conferences and team building events. The majority of this demand is from the mainland. Conferences are most typically for 15-30 delegates, staying for 1-2 nights.
- One of the better quality 2 star hotels reported that it receives enquiries for residential conferences and is currently planning to develop conference facilities to service this market.
- One 2 star hotel indicated that it had no interest in targeting the residential conference market as such business would not mix well with its core coach holiday business.

[14] No Newport hotels were included in our sample of hotels. We suspect, however, that hotels here attract good levels of business demand.

3.1.11. Weddings

- Weddings are an important market for some of the better quality 3/4 star hotels, particularly country house hotels that have grounds. Some 2 star hotels did not feel that they could give the required levels of service to the weddings market.

3.1.12. Masonic Lodge Weekends

- A few of the larger 3/4 star hotels and one 2 star hotel attract some business from Masonic lodge weekends. This is a very small market for these hotels, however. Masonic lodges usually want 3/4 star hotel accommodation. They primarily go to Bournemouth and Eastbourne. The additional cost of ferry travel to the Island is seen as a barrier to developing this market by some hotels.

3.5. ACHIEVED ROOM RATES

Very few Isle of Wight hotels monitor achieved room rates (the average amount of income that hotels achieve per room net of VAT, meals, commission and discounts). From the information that we have been able to gather from hotels and our analysis of current hotel prices on the Island, we would estimate achieved room rates as follows for the Island's hotel sector:

ISLE OF WIGHT HOTEL SECTOR – ACHIEVED ROOM RATES 2004

Standard of Hotel	Estimated Achieved Room Rates[1]
3/4 Star	▪ Most typically around £50 ▪ Range £32-80 ▪ Higher quality 3/4 star hotels and country house hotels are achieving higher rates (around £70-80)
2 Star (catering primarily for coach holidays)	▪ Most typically around £20-25 ▪ Even lower for hotels that trade purely with national coach holiday operators
2 Star (catering primarily for private guests)	▪ £30-50
4/5 Diamond	▪ £35-90 ▪ Higher quality 4/5 diamond hotels appear to be achieving room rates of around £55-60 ▪ Achieved rates for other 4 diamond hotels appear to be around £35-45
3 Diamond	▪ Most typically £25-35

Source: Tourism Solutions/ ACK Tourism
Notes:
1. The average amount of income that hotels achieve per room net of VAT, meals, commission and discounts. Very few hotels on the Island monitor achieved room rates. The figures quoted are our best estimates based on the data we did manage to obtain and our analysis of current hotel prices on the Island.

Key observations on achieved room rates are as follows:

- Achieved room rates for Isle of Wight 3/4 star hotels appear to be only slightly below the rates achieved by New Forest hotels (£52.71 in 2004[15]), although below the Hampshire 3 star average (£58.77 in 2004[8]). They are significantly below the national average for provincial 3/4 star chain hotels (£63.72 in 2004[16]), however.

- The rates achieved by 2 star hotels that cater primarily for coach holidays are very low (although occupancies are high).

- There appears to be little difference in achieved room rates between 2 star hotels that cater primarily for private guests and 4 diamond hotels.

- Some higher quality 4/5 diamond hotels achieve higher rates than many 3 star hotels.

- The Isle of Wight hotel market is evidently highly price sensitive and competitive. There is relatively little price differential between hotels of the same standard. There appears to have been very little growth in achieved room rates in the past 2-3 years. Many hotels have not put their prices up as they have not been confident that their customers will pay more and feel that they need to keep their prices in line with competitors. Many hotels have had little success in securing better rates from national coach holiday operators.

- Achieved room rates have dropped for some hotels that have been successful in extending their season through the promotion of special offers (although occupancies have increased).

- One hotel that has come out of the coach holiday market has seen a sharp increase in achieved room rates, although a drop in occupancy.

- There appears to be limited scope for future growth in hotel rates on the Island. Most hotels are very cautious about increasing their rates as they do not feel that their markets will bear much higher prices than they are currently charging.

- Many hotels identified that the additional cost of ferry travel to the Island limits the amount that they feel they can charge if they are to remain competitive with mainland hotels. Recent increases in ferry prices were cited by many hotels as a further reason why hotels have not felt able to out up their prices in the last few years.

[15] Source: Hampshire Hotel Trends Survey 2003-2004
[16] Source: TRI Hospitality Consulting Hotstats UK Chain Hotels Market Review

3.6. MARKET TRENDS

Our research has identified the following trends in the Isle of Wight hotel market in the past few years:

- The most significant trend has been the strong growth of the short breaks market over the past 5-10 years, both in terms of independent and group short breaks. There has been particularly strong growth in weekend breaks.

- There remains a strong market for week-long holidays in the summer. Views on trends in this market were mixed: some hotels reported increasing demand for week-long stays, while others reported a downturn in this market.

- The market for two-week holidays appears to have virtually died out for the Island's hotels.

- The length of short breaks is gradually reducing: 2-3 night breaks are becoming more common than 4-5 night breaks.

- Lead in times for short break bookings have become much shorter: people are now booking breaks only a week to a month in advance.

- There is increasing demand for B&B terms for short breaks rather than half board terms, particularly at weekends.

- October appears to have become a stronger month for the Island's hotels due to the growth in the short breaks market.

- A number of hotels have successfully extended their season through the marketing of short break offers and themed breaks and events.

- Private guests are increasingly booking through the Internet.

- There appears to have been some growth in the family market both in terms of week-long holidays and short breaks.

- The trend towards short breaks is also evident in the coach holiday market: 3-4 day breaks have increased and week-long stays reduced.

- Numbers on national coach holidays have been reducing in the last 2 years, and coach holiday operators are increasingly cancelling as they have been unable to achieve sufficient bookings.

- Those hotels that trade more with independent coach holiday operators reported more stable demand from this segment of the coach holiday market.

- Demand from private groups and special interest groups has increased for hotels that have actively targeted these markets.

- A few hotels that trade in the coach holiday market have been successful in gradually reducing coach holiday business and building trade from private guests. One or two hotels (e.g. The Royal in Ventnor and Melville Hall in Sandown) have successfully moved entirely out of the coach holiday market.
- A number of hotels have increased the numbers of school groups that they take in April and May.
- There has been some growth in the weddings market from the mainland for some of the hotels that attract such demand.
- There appears to have been some growth in the business market.
- The residential conference market on the Island appears to be broadly static and remains very small.
- Cowes hotels have seen good growth in demand from sailing events and regattas.
- Demand from overseas leisure visitors has reduced as a result of the current strength of sterling. Overseas leisure visitors have never been a major market for most of the Island's hotels, however.

3.7. DENIED BUSINESS

The key findings of our research regarding denied business (business that hotels turn away because they are fully booked, or because they do not wish to take it) are summarised as follows:

- Most hotels regularly deny business between June and September, both during the week and at weekends. Levels of denied business at such times are not generally significant and have reduced from 10 years ago. Hotels no longer get the numbers of walk-ins that they used to in the summer.
- Many hotels regularly deny business at weekends in the mid season. Some also occasionally deny weekend business during the low season. Weekend denials are generally increasing.
- Midweek denials are much less common in the mid season and rare in the low season, other than for some Cowes and Ryde (and possibly Newport) hotels, which regularly turn away some business demand at these times of year.
- A number of coaching hotels reported that they deny significant numbers of coach bookings. Some also turn away some private guests during the summer months when they are full with coaches, but not in sufficient numbers to give them the confidence to switch over more to private guests.

- Many hotels deny significant business from events held during peak periods as they are able to attract business from other markets at these times that gives them double occupancy, longer stays and half board rates that event visitors do not usually provide.

- Some of the hotels that take school groups reported turning away some bookings from this market.

- One hotel in Ryde gets regular enquiries from stag and hen parties that it turns down.

- Hotels on the Island that cater for residential conferences are not turning away any business from this market.

3.8. PROFITABILITY

While the study has not specifically looked at hotel profitability, our discussions with the Island's hoteliers provided the following insight into hotel profitability on the Island:

- Many hotels reported reducing profits as a result of being unable to increase prices at a time when costs are rising. This is making it harder for them to reinvest in improving their hotels.

- Some of the hotels that trade primarily with national coach holiday operators make very little profit. Some are only able to continue trading because they are long established family run businesses that no longer have any loans or mortgages to service. These hotels are usually unable to invest in improving their facilities.

- Hotels that stay open in the winter indicated that they do not make any money at these times of year. They generally stay open in order to keep their staff on and to generate at least some income to contribute to fixed overheads. Many hotels do not think that it is worthwhile opening in the winter, however.

- Some of the feedback that we received from hoteliers suggests that hotels that cater primarily for private guests are not necessarily more profitable than those that cater primarily for coach holidays. Coaching hotels have much lower operating and marketing costs. If they can secure good rates from coach holiday operators and groups they can be just as profitable, if not more profitable than hotels that cater mainly for private guests.

- A number of 2 star hotels indicated that they did not feel that it would be sufficiently profitable for them to upgrade to 3 star as they would not be able to increase their prices and occupancy sufficiently to cover the increased operating costs of a 3 star hotel due to the higher standards of service required.

3.9. FUTURE PROSPECTS

3.9.1. Prospects by Standard of Hotel

3/4 Star Hotels

- 3/4 star hotels generally expect to maintain and possibly increase their occupancies, primarily through developing short break business in the mid and low seasons. Some hotels feel that they have extended the season as much as they can, and have little scope to further increase occupancy, therefore.

- Some 3/4 star hotels are seeking to increase their prices following investment. Others see only limited scope for price increases.

- Achieved room rates may drop for some hotels as they boost off-peak periods through lower-rated and special offer business. Occupancies should increase, however.

2 Star Hotels

- 2 star hotels that cater primarily for private guests generally expect to maintain their current occupancy and rates. Some see potential to increase occupancy. Some intend to increase their rates following investment in improved facilities. Others see only limited potential to increase prices. With rising costs, they expect to see profits reducing.

- 2 star hotels that cater primarily for coach holidays and groups have very mixed views about their future prospects. Most expect to maintain their current occupancy levels. Many are already trading at very high occupancies.

- Views on the potential to increase rates are the most mixed. Some hotels are positive about increasing their achieved rates by gradually building up business from private guests, private groups and independent coach holiday operators. Those hotels that have already successfully reduced coach holiday business and begun to move over more to private guests are planning to continue this process. Others are likely to remain reliant on national coach holiday operators, with little prospect of increasing rates. Some hotel owners that have been in the business a long time and are nearing retirement are particularly pessimistic about future prospects and do not seem to have the vision, energy or skills to develop new business strategies to take them away from their current reliance on national coach holiday operators. Many new owners are much more positive and actively working to improve their hotels and build higher-rated business from other markets, albeit recognising that this will be a slow process.

4/5 Diamond Hotels

- 4/5 diamond hotels generally expect to maintain their occupancy levels and gradually increase their prices.

- The higher quality 4/5 diamond hotels are generally the most positive about their future prospects as a result of increasing levels of repeat business.

3 Diamond Hotels

- The prospects for increasing occupancy and rates for 3 diamond hotels do not appear to be as strong as for other standards of hotel. Some expect to see growth in occupancy through increased levels of repeat business and by taking more school groups.

3.9.2. Prospects by Market

Short Breaks

- There is no reason to suggest that the Island's hotel sector should not see further growth in the domestic short breaks market over the next 5-10 years, given effective marketing, and the continued improvement and development of the Island's hotel stock.

- Recent years have seen strong growth in short break business for the Island's hotels.

- Nationally the UK short breaks market is expected to see continued growth, particularly from the emptynester and retired markets, which are already strong markets for the Island's hotels, and offer good off-peak potential.

- The Isle of Wight has a huge and growing target catchment population for short breaks.

- A number of hotels on the Island have been successful in targeting short break business through the Internet. The growing usage of the Internet for holiday bookings, especially late availability bookings, offers opportunities to further develop short break business and boost off-peak trade for the Island's hotels through more targeted and tactical Internet marketing activity.

- Those hotels that have upgraded are now attracting good repeat business for short breaks.

- High quality country house hotels, boutique hotels, country inns and restaurants with rooms are doing particularly well in the short breaks market. There would appear to be good potential for the further development of these types of hotel product on the Island, either through new development, or the upgrading and repositioning of existing hotels.

- A few hotels are looking at developing leisure and spa facilities with a view to boosting their short break business and extending the season.

- Some of the 2 star and non-inspected hotels that are currently trading in the coach holiday market are looking to gradually build up private short break business.

- Set against these positive signs of growth, competition will undoubtedly continue to increase from other UK destinations, and overseas destinations, particularly those served by low-cost airlines. Effective marketing of the Island's hotels for short breaks, and continued investment to improve the quality of the Island's hotel stock will thus be of paramount importance.

- The trend towards shorter breaks is likely to increase. This will increase marketing and operating costs for hotels. Hotels will have to attract more customers to achieve the same levels of occupancy. This is likely to require increased marketing activity. The shorter duration of breaks will also mean that the cost of ferry travel will become a more significant part of the total cost of a break on the Island. This could make it more difficult for the Island's hotels to sell short breaks, unless the ferry operators can be persuaded to adjust their pricing structures to reflect this trend towards shorter stays.

Week-long Holidays

- Many of the Island's hotels appear to have a stable market for week-long holidays between June and September. This market appears to be broadly static at present, although some hotels reported growth in week-long stay business.

- Many hotels currently deny weekly stays during the summer, particularly from the family market in the school holidays. This could present an opportunity for some of the hotels that currently trade primarily in the coach holiday market to move into this market at least in the summer.

- On balance, we think it likely that this market will remain broadly static, with some growth possibly in the summer if more hotels move into this market away from coach holidays.

Coach Holidays and Groups

- The coach holiday market on the Island appears to be declining currently, with many hotels reporting falling numbers on coach holidays and increasing numbers of cancellations. The decline appears to be primarily in national coach holidays rather than independent coach holidays and private groups, which appear to be growing.

- The coach holiday market may decline further in the next few years as some hotels move more over to private guests.

- Our review of national coach holiday research and our survey of coach holiday operators (Appendix 2) suggest good long term prospects for UK coach holidays. The general ageing of the population, and the appeal of coach holidays for those looking for social holiday options, or who do not wish to fly or drive, suggest a continuing strong market for coach holidays on the Island.

- Our research shows that many of the Island's larger hotels will continue to trade in the coach holiday market for a long time to come. It delivers volume business for them that is booked well in advance, and is the only market that currently provides hotels with high volume business in the winter, particularly midweek. Coach holidays will also take all of a hotels rooms, while private guests tend to only want the best rooms. Switching more to private guests involves higher operating costs, increased marketing effort and expenditure, more risk, and not necessarily increased profits. Some hotels do not seem to have the confidence to move away from the coach holiday market, and some see little prospect of attracting other markets. A number of hotels have very limited car parking, making it very difficult for them to attract private guests.

- The coach holiday market will remain highly price-sensitive, with limited scope to increase rates, even for higher quality hotel facilities and service.

- There is potential to attract higher rates from smaller independent coach holiday operators, and particularly private groups and special interest groups, and potential for growth in these markets. They are smaller markets, however, and involve significantly increased marketing effort as hotels need to deal with many more operators and group organisers than if they just deal with a few national coach holiday operators. It is difficult to see all hotels being able to switch to these markets away from national coach holidays.

- The trend towards coach breaks looks set to continue.

School Groups

- School groups look likely to remain an important early season market for some of the Island's 2 star and diamond-rated hotels. Most of the hotels that we spoke to that currently trade in this market indicated that they will continue to do so in the future. School groups deliver high volume business for hotels in April, May and June, at a time of year when they do not feel they would be able to attract such good business from private guests.

- Some hotels indicated that they intend to increase the numbers of school groups that they will take in the future. This market could see some growth, therefore.

Business Demand

- The business market appears to be growing slowly for hotels in Cowes, Ryde and Newport[17].
- This is likely to remain a small market for hotels in other parts of the Island.
- There may be scope for some growth in combined business and leisure trips.

Residential Conferences

- A few of the Island's hotels see potential to develop business from residential conferences, team building events and possibly the incentive travel market. The Sandpiper's Hotel at Freshwater is currently developing conference facilities to attract this market. Two other hotels are also looking at developing conference facilities. There may be scope to develop team building and incentive business related to sailing and extreme sports on the Island. These are all likely to remain minor markets for the Island's hotels, although could help in extending the season.

Overseas Leisure Visitors

- There have been signs recently of some growth in the overseas leisure visits market for the Island's hotels. Overseas visits to the Island increased by 9% in 2003/04 compared to 2002/03[18]. National forecasts suggest continued growth in overseas visits to the UK. There is no reason to suggest that the Island should not share in this growth as it has done recently, given adequate marketing. This is likely to remain a minor market for the Island's hotels, however.

Events

- There could be potential to use events to boost off-peak occupancies for the Island's hotels, either in terms of the development of new events and festivals at off-peak times, or through tactical marketing of breaks based around smaller events, concerts and theatrical productions on the Island.

Weddings

- There would appear to be some potential for some of the Island's higher quality hotels, especially its country house hotels, to attract increased levels of weddings business from the mainland.

[17] No Newport hotels were interviewed as part of the study. We suspect that they attract good business demand, however, and that demand could be increasing.

[18] Source: Isle of Wight Tourism Activity Monitor 2003/04

Walkers and Cyclists

- There would appear to be good potential for the Island's hotels to attract increased levels of business from the growing market for walking breaks, both in terms of individuals and rambling groups. Many hotels identified walkers as a good market for them. Our research suggests potential to increase business from this market through targeted marketing. The priority will be to target individuals and groups that are looking for centre-based walking breaks, rather than point-to-point walking, as the latter market tend to only want one-night stays, which many hotels do not particularly want.

- We are less convinced about the potential for the Island's hotels to attract cycling visitors. Some parts of the Island are very hilly and many of the Island's roads appear to be quite busy. There may be scope to attract cycle touring clubs, but again they will tend to be looking for only one night stays that hotels do not usually want. There might also be potential to develop off-road mountain biking breaks. This is likely to remain a very small niche market, however.

3.10. MARKETING

Hotels on the Island use a wide range of marketing tools:

- The Internet – in terms of having their own websites, listing on search engines, and use of Internet booking agencies;
- Isle of Wight Guide;
- National newspaper advertising;
- Provincial newspaper advertising;
- Red Funnel Holidays
- Wightlink;
- Advertising with isleofwight.com
- AA, RAC guides;
- Teletext;
- Direct mail, email or sales calls to existing clients;
- Booking agents;
- Membership of marketing consortia (e.g. Best Western)
- Direct mail and sales calls to coach holiday operators, clubs and societies;
- Attendance at BTTF;
- Advertising in the Coach Drivers Club's magazine;
- School groups agencies;
- Advertising in walking and cycling magazines.

The most effective marketing tools were identified by hotels as follows:

- Repeat business and word of mouth recommendations;
- The Internet;
- Isle of Wight Guide
- Direct mail/ email to existing clients;
- National newspaper advertising;
- Direct mail and sales calls to coach holiday operators, clubs and societies.

Repeat business and recommendations were seen as the most effective means of marketing by many hotels.

The Internet has become increasingly important as a marketing tool for the Island's hotels. Many hotels reported growing numbers of bookings through the Internet. A number of hotels are using Internet marketing to very good effect. Some hotels use it to promote late availability offers. A number of hotels indicated that they would not be interested in taking online bookings, however, as they were concerned that they would lose control of their bookings by doing so.

Some hotels felt that the levels of business generated by the Isle of Wight Guide have been reducing in recent years. A number of hotels indicated that they may not continue to advertise in the Guide as a result. Few hotels appear to accurately monitor where their business comes from, however.

Our research suggests that the marketing skills of the Island's hoteliers vary significantly. Some appear to market their hotels very successfully, while others appear to be undertaking very little marketing and rely almost entirely on contracts with national coach holiday operators.

3.11. STAFF RECRUITMENT

Many hotels reported major difficulties in recruiting and retaining high calibre staff from the Island. There is a limited pool of labour on the Island available to work in the hotel sector. A number of hotels indicated that Island staff are often unreliable. Many hotels now bring in overseas staff, particularly from Poland, other Eastern European countries, South Africa and Spain. This situation is not specific to the Isle of Wight: most of the UK hotel industry, certainly in the South of England, now employs significant numbers of overseas staff as they are unable to recruit suitable workers from the local labour force.

Many hotels indicated that the reliance on overseas staff and students, means that they have a constant turnover of staff.

Much of the employment in the hotel sector is seasonal, with many hotels having to recruit new staff at the start of each season. Some hotels remain open all year primarily so that they can keep at least their core workers in post.

Rates of pay are low in the hotel sector. Many hotels indicated that their profits are not sufficient to allow them to pay higher wages, however.

3.12. BUSINESS SUPPORT AND TRAINING NEEDS

The hoteliers that we spoke to showed very little interest in any sort of business advice or training. Many have been in business for a long time and see no real need for advice or training to help them in running, marketing or developing their businesses. This does not necessarily mean that they would not benefit from business support, advice and training. Indeed, some of the hoteliers that we spoke to we felt could well gain much from advice and support to help them in:

- looking at how they might reposition themselves in the future;
- developing their forward business strategies;
- making the case for finance for upgrading and development projects;
- improving their marketing to attract new markets.

One hotel has been working with a Business Link consultant, which they have found very useful. Another hotel indicated having used Business Link services to good effect.

Two hotels expressed interest in marketing advice and training, particularly in terms of e-marketing. We felt that a number of other hoteliers could benefit from such advice and training.

In terms of staff training, most of the hoteliers that we spoke to indicated that they do their own in-house staff training. Our research has not included any assessment of the scope or effectiveness of such training.

A few hotels indicated that they use Island trainers for staff training, that they are very happy with.

Some hotels indicated that they have no money to spend on staff training as all of their available money is needed for refurbishment and maintenance work.

Assessing the demand for business advice and training has not been a major part of this study. Our findings are very superficial in this respect, therefore. Specific research really needs to be undertaken to fully assess these issues.

3.13. THE COST OF FERRY TRAVEL

The cost of ferry travel to the Island is clearly a major issue for most hoteliers on the Island for two main reasons:

- The additional cost of getting across to the Island limits the amount that hotels fell they can charge if they are to remain competitive with mainland hotels. The prices that Isle of Wight hotels achieve are thus generally lower than for equivalent standard hotels on the mainland.

- With the trend to shorter and shorter breaks the cost of the ferry has become a much more significant proportion of the total cost of a break on the Island. Many hotels reported that they lose short break business as a result. This appears to be a problem particularly for lower-priced 2 star and diamond-rated hotels and the smaller independent hotels that are unable to secure good contract rates from the ferry companies. With the lower prices charged by these hotels the proportion of the total cost of a break accounted for by the ferry is even higher. The cost of ferry travel appears to less of an issue for the Island's higher-priced hotels.

3.14. SECRETS OF SUCCESS

Our research suggests the following as key factors that contribute to successful hotel operations on the Island in terms of achieving good occupancies and rates, long seasons, high levels of repeat business, and good levels of profit for reinvestment:

- High standards of personal service;
- A good food offer;
- Good quality facilities, furnishings and décor;
- Effective use of Internet marketing;
- Effective marketing to previous guests to attract return visits;
- Quick responses to enquiries;
- Successful marketing to niche markets e.g. rambling clubs;
- Flexibility in meeting customer requirements;
- Having sea views;
- Having good programmes of activities and entertainment;
- Leisure facilities.

3.15. SUMMARY OF KEY POINTS

- Hotel performance on the Island varies significantly between hotels.

- Key factors determining hotel performance are:

    - The quality of facilities, décor, food and service;
    - Location;
    - Marketing;
    - The professionalism and business acumen of hotel owners and managers;
    - The markets that hotels target;
    - The provision of leisure facilities and entertainment and activities.

- Higher quality hotels generally perform better:

    - 3 star hotels generally achieve higher occupancies and rates than 2 star hotels that cater primarily for private guests;
    - 5 diamond B&Bs achieve better rates than 4 diamond hotels, and some 3 star hotels;
    - 4 diamond hotels generally trade at higher levels of occupancy and rates than 3 diamond hotels, and many 2 star hotels;
    - hotels with awards for food and service achieve higher occupancies and rates.

- Hotels in Ventnor, West Wight, Cowes and East Wight generally achieve higher rates than equivalent standard hotels in Shanklin and Sandown, and in some cases higher occupancies.

- Some smaller, lower grade hotels in Shanklin and Sandown, particularly those that are not so well located (on the periphery of the resorts or in side streets) do not perform so well, in some cases achieving very low occupancies and rates.

- Hotels with a good range of leisure facilities and programmes of entertainment and activities achieve higher occupancies.

- Hotels that cater primarily for the coach holiday market achieve very high occupancies and long seasons, but very low rates, particularly if they are trading purely with national coach holiday operators.

- 3/4 star hotel occupancies on the Island are on a par with 3 star occupancies in the New Forest, and, we suspect, other primarily leisure-driven destinations. They are lower than the Hampshire 3 star average, however, and much lower than national averages for 3/4 star chain hotels.

- The room rates achieved by Isle of Wight hotels are likely to be lower than those achieved by equivalent standard hotels on the mainland due to the additional cost of ferry travel, which limits the amount that the Island's hotels feel they can charge if they are to remain competitive with mainland hotels.

- Occupancies and achieved room rates appear to have been relatively stable over the past few years. The Island's hotel sector appears to have seen little change in occupancy and only slow growth in rates, as hotels have been nervous about increasing prices too much.

- The Isle of Wight hotel market remains highly seasonal. The main season is between June and September, with many hotels consistently filling and turning away business during these months, both during the week and at weekends. Occupancies dip in early July.

- May and October occupancies have strengthened in recent years due to the growth in the short break market, particularly at weekends, when some hotels are frequently filling and turning business away.

- Occupancies are very low between November and March, other than over the Christmas and New Year period. Many hotels that stay open in the winter are empty or virtually empty for most of the time. They stay open primarily to retain their staff, or because they live on site anyway. Few make any money during the winter. Many hotels still close in the winter, although increasing numbers are remaining open all year.

- The coach holiday and groups visit market appears to be the only market that has the potential to deliver volume business during the winter. Rates are very low, however.

- The schools market is important for some 2 star and diamond-rated hotels in terms of providing volume business in the early season.

- A number of hotels have had success in extending the season through:

  - Internet marketing;
  - the promotion of special offer breaks;
  - special events e.g. the Fat Cat Beer Festival in March at the Sandpiper's Hotel at Freshwater;
  - themed breaks for private guests and groups e.g. bowls tournaments, dancing breaks, skittles weekends, gourmet weekends;
  - targeting special interest groups.

- Key markets for Isle of Wight hotels are:

  - Short breaks;
  - Week-long holidays;
  - Coach holidays and group visits (for most larger 2 star and non-inspected hotels);
  - School groups (for some 2 star and diamond-rated hotels).

- Secondary and minor markets are:

  - Business visitors;
  - Residential conferences and team building events;
  - Weddings;
  - Masonic lodge weekends;
  - Events;
  - Overseas leisure visitors.

- The Island's hotel sector has seen strong growth in the short breaks market in the last 5-10 years, and should see further growth in the future. There are two key short break market segments: Emptynester and Retired Couples visiting both at weekends and during the week, and Career Couples coming primarily for weekend breaks. There also appears to be a growing family market for breaks on the Island at weekends and during school holidays.

- There is a growing trend towards shorter breaks on the Island of 2-3 nights, rather than 4-5 nights. The cost of ferry travel is thus becoming a more significant element of the total cost of a break on the Island. Many hotels indicated that they are increasingly losing short break business as a result. The trend towards shorter breaks also means that hotels are having to work ever harder to maintain their occupancies, with increased marketing effort and expenditure.

- There is a stable market for week-long holidays in hotels between June and September, particularly from the family market in the school summer holidays. Some hotels only take week-long stays during these months. Many are turning away week-long holiday business in the summer.

- Many of the Island's larger hotels are reliant on the coach holiday and group visits market, and likely to remain so for many years to come. There are three main segments in this market:

  - National coach holidays
  - Independent coach holidays
  - Private groups and special interest groups

- National coach holiday operators generate high volumes of business virtually year-round, but pay very low rates. Demand appears to be declining currently, with numbers on coaches reducing and operators increasingly cancelling bookings because they have not achieved the numbers they need. With the general ageing of the UK population, the longer term prospects for this market look good, however, with demand likely to remain strong from older people looking for low-cost holidays, those looking for sociable holiday options, and those that do not wish to fly or drive.

- Independent coach holiday operators pay higher rates, but cannot deliver the volumes of business that the national operators do.

- Private groups and special interest groups will often pay higher rates. Demand from this market is growing, and a number of hotels are successfully targeting it. It is a much smaller market than the national coach holiday market, however.

- Reaching the independent coach holiday and private group and special interest group markets will required increased marketing effort and expenditure by hotels.

- Many of the Island's hotels are likely to remain reliant on the national coach holiday market. Some hotels are aiming to gradually build business from private guests, independent coach holiday operators and private groups with a view to phasing out this market at least in the summer months.

- The coach holiday market will remain highly price-sensitive, with limited scope to increase rates, even for higher quality hotel facilities and service.

- Many hotels that are currently trading in the school groups market are likely to continue to do so. Some are planning to increase the numbers of school groups that they take in the future.

- Business demand is low for hotels in most parts of the Island, and has limited growth prospects, other than for hotels in Cowes, Ryde and Newport.

- Residential conferences, team building events, incentive weekends, weddings and Masonic lodge weekends are small markets that offer some growth potential for a few of the Island's hotels.

- The Island's hotels generally decline business from events that are held between June and September as they can attract more lucrative business from other markets at these times of the year. They are more inclined to take business from events held in the early and late season, however, some of which have helped in terms of extending the season for the Island's hotels. Yachting events generate significant business for hotels in Cowes.

- Overseas tourists are a minor market for most of the Island's hotels, and one that very few hotels actively target. There appears to be good growth potential for this market, although it is likely to remain a relatively small market overall.

- Many of the Island's hotels, particularly 2 star hotels and some 3 and 4 diamond hotels see limited scope to increase their prices due to the need to remain competitive with other hotels on the Island and mainland hotels. With their operating costs rising, profits for many hotels thus look likely to decline, reducing their ability to reinvest in their properties.

- Hotels that are trading primarily in the national coach holiday market are generally achieving very low profits, and are unable to invest in improving their quality.

- It may not necessarily be more profitable for hotels to upgrade or to switch to private guests away from coach holidays due to the higher operating costs of a 3 star hotel and of catering purely for private guests. Switching to private guests will result in hotels achieving lower occupancies and shorter seasons, but higher rates, higher operating costs, and not necessarily increased profits.

4. SECURING NEW HOTEL DEVELOPMENT

4.1. THE STRATEGIC RATIONALE FOR SEEKING NEW HOTEL DEVELOPMENT

The strategic rationale for seeking to attract new hotel development to the Island is to secure investment in new hotels for which there is identified market potential, that will help to achieve one or more of the following objectives in terms of :

- Providing a wider choice of different types of hotel on the Island;
- Adding to the Island's quality hotel offer;
- Appealing to new types of customer;
- Attracting higher spending visitors;
- Assisting in extending the season;
- Helping to develop a more modern hotel offer in line with market requirements.

New hotels could also play a role in encouraging existing hotels to upgrade, provided that they also generate new demand. If they merely dilute business for existing hotels this benefit is likely to be lost, with established hotels left finding it even more difficult to invest. Unless new hotels can generate new demand, it is unlikely that they will be viable.

4.2. THE MARKET POTENTIAL FOR NEW HOTEL DEVELOPMENT

Our research suggests that there could possibly be market potential for the following types of new hotel development on the Island (either through the redevelopment of existing hotels and other suitable properties, or through new build development), based on the current performance of these types of hotel on the Island and in the South East more widely:

- Boutique hotels in Cowes, Ryde, Ventnor and possibly Shanklin (in the longer term);
- Budget hotels in Newport, Ryde and possibly Cowes;
- Country house hotels;
- Spa hotels;
- Golf hotels[19];
- Adult only hotels;
- Luxury family hotels;
- Quality pub hotel accommodation;
- Aparthotels;
- Restaurants with quality rooms.

[19] The potential for golf hotels is more likely to be in terms of the development of hotel accommodation (30-50 bedrooms) at existing golf courses rather than the development of major new golf hotels/ resorts (120 bedrooms +).

All of these types of would, we believe, add to the Island's hotel offer and help achieve the strategic objectives outlined above. Clearly detailed feasibility studies will need to be undertaken to assess the viability of specific hotel projects.

There may be potential for budget hotel development in Cowes. We have some concerns, however, that such a hotel would largely dilute the business market for existing hotels here, reducing their occupancies and achieved room rates, and weakening their ability to invest in upgrading. A boutique hotel would be more of a priority, we feel, as it would fit well with the ambience and image of the town and would have greater potential to attract new leisure break business and higher paying customers. East Cowes may be a better location for a budget hotel, but bearing in mind the market findings above, the potential to deliver this is likely to be dependent upon the hotel's ability to attract significant new demand through its offer and the destination regeneration proposed here.

Our research suggests market potential more for budget than upper-tier budget[20] hotels. We think it unlikely that the Isle of Wight hotel market is sufficiently strong to support the larger sized hotels (typically 80-100 rooms) that upper-tier budget operators are usually looking to develop. Rate is also likely to be more of an issue for upper-tier budget hotels than it is for budget hotels.

Our research shows no clear potential for major (100+ rooms) new 3 or 4 star hotel development in Shanklin and Sandown, at least in the short to medium term. We do not believe that the market is sufficiently strong here to generate enough high-rated business to support a major new 3 or 4 star hotel. The priority here is the redevelopment, upgrading and repositioning of existing hotels, including some managed loss. We do not believe that encouraging the development of new 3 or 4 star hotels here would assist in this process at this time. The potential for new 3 or 4 star hotels in Shanklin and Sandown is much longer term we feel, once the resorts have been successfully repositioned, and will need to be tied in with wider destination development to create the motivation for users of quality hotels to visit. Likewise, the development of a budget hotel in Sandown or Shanklin currently would, we believe, undermine the viability of existing stock, particularly with a minimal business tourism market to draw upon.

4.3 HOTEL DEVELOPER AND OPERATOR REQUIREMENTS

Hotel companies generally work to a set of key investment criteria that they use to help them put together their national development strategy and trawl for sites. Clearly there is some variation between different types of hotel product, but below we set out some of the main criteria in outline:

- **Location** – achieving critical mass and geographic spread is important to all national hotel brands. They will target primary locations first, which tend to be larger regional cities, then move on to secondary and tertiary locations, which can be better supported by the rest of the group once brand awareness is high.

[20] e.g. Express by Holiday Inn, Tulip Inn, Ramada Encore

- **Site requirements** include:

  - Strategic locations with good access;
  - Visibility to passing traffic;
  - A strong business base close by, with sectors that are productive for hotel roomnights (e.g. financial and business services, regional and national headquarters);
  - Leisure drivers to fill the rooms at weekends (proximity to attractions, speciality shopping, restaurants, events);
  - Site areas of 0.5-6 acres (dependent upon range of offer and ability to develop vertically);
  - Land values that reflect hotel economics (£5,000-£15,000 per room);
  - An attractive environment;
  - Minimum population of 50,000-100,000 for smaller units and budget/ mid-market offers, 100,000-150,000+ for larger developments and products at the quality end of the market;
  - City centre and out-of-town sites;
  - The need for associated development where land values are high;
  - Redevelopment sites where opportunities are limited and competition for sites strong.

- **Development costs** – the control of costs is critical to hotel viability, but land and building costs have been driven upwards since the recovery from the recession of the early 1990s. This has resulted in:

  - A move towards larger hotels
  - The need to tailor the hotel product and design to the site
  - The development of hotels in association with other uses (restaurants, bars, leisure clubs, residential).

- **Financial and performance criteria** – viability is a function of development cost, occupancy and achieved room rate, and performance ranges will vary by product type. Typically:

  - Occupancy targets of 70-75% - or 80%+ for smaller budget hotels;
  - ARR (Achieved Room Revenue, ex discounts, VAT and breakfast)) targets of £35-£45 (budget), £55-£70 for upper tier budget and new generation 3 star offers, and £70+ for 4 star products, with luxury 4/5 star, country house and boutique/ town house hotels often looking to achieve £100+;
  - Return on investment ranges of 15%-25%.

In assessing any investment opportunities on the Isle of Wight, national and international hotel companies will have these 'benchmark' criteria in mind and look to see how a site in this location matches them compared to other investment opportunities they are presented with. How well the Island and its key destinations meets these criteria will also affect whether they make it onto a brand's 'hit list' of target locations, i.e. those locations they will pro-actively pursue. This doesn't mean that they won't consider other locations also, as a lot of hotel development is essentially opportunistic, but it will steer their active search for sites and may colour their response to anything put before them without a strong evidence base.

4.4 THE NATURE OF HOTEL INVESTMENT

As a backcloth to assessing potential hotel company interest in the Isle of Wight, it is important to have an appreciation of the nature of hotel investment and operation, as well as the structures that are used for the financing of hotels. There are four principal vehicles for hotel development and operation:

- Some hotel companies wholly own and manage their hotels themselves. They raise the capital, and as hotel development is capital intensive and returns longer term, this can restrict the pace at which such companies can develop.

- Other hotels are run via management contract – an agreement between the owner of the hotel and a hotel company for the latter to run the hotel. The hotel would still appear to the public to be part of the operating chain. The hotel operator gets a fee for this task, usually a percentage of turnover.

- A further option is a lease, whereby an operator pays a rent for use of the building or land; the risks are then with the operator not the owner, as the latter has a fixed return.

- Franchise agreements are also commonly used in the hotel industry, giving an operator or investor the right to use a brand name although the hotel is in separate ownership from the chain. Fees are charged for this relating to royalties, reservations and marketing.

The levels of risk and capital outlay required by a hotel company therefore vary considerably between these options. Many more operators are likely to be interested in options put to them that involve management contracts than in building and funding development themselves, as access to capital will naturally restrict the latter and require hotel companies to prioritise their investment locations. Many of the chain hotel companies will have a mix of the above structures in place, though some do prefer a single route. It can be seen from the above that the owners of hotels need not themselves be hotel companies, and include property and institutional investors. Due to the levels of investment involved in larger high quality 4 star hotels, there is a greater likelihood of these being developed via management contract, franchise and lease. A number of the newer, expanding brands such as Tulip Inn and Days Inn are also going down the franchise route in order to expand the brand quickly.

4.5 HOTEL DEVELOPER INTEREST IN THE ISLE OF WIGHT

Interest in new hotel development in an area is by definition an indication of the perceived strength of the market – hotel companies have millions to spend on hotel development, and can seek to locate anywhere in the UK or indeed overseas; if they are interested in developing in a destination, then clearly they have identified that the market exists for their product.

As the basis for establishing hotel developer/operator interest in the Isle of Wight, Tourism Solutions/ACK Tourism conducted a series of structured telephone interviews with key personnel (at Managing Director or Development/Acquisitions Director level) in the principal and emerging branded hotel chains to establish:

- Their current or potential interest in developing on the Isle of Wight;
- The locations and specific sites that they were considering;
- Their view of the Island as an investment location;
- Key issues influencing their investment decisions;
- The size and standard of hotel they would be seeking to develop;
- Their specific site requirements;
- Obstacles to development and how these could be overcome;
- Support required in furthering any interest they may have;
- In the case of those companies not interested in investing on the Island, the identification of reasons behind this, as well as the conditions that would be required for this to change.

Time allocations within the study have not allowed for a total trawl of hotel companies, but sampling has been used to test the water across the spectrum of provision, from budget hotels through to 4 star+ operators. The selection of developers/operators to sample was also informed by our market research, with a particular focus on those products for which the research had identified market potential.

Specific comments from these operators have been incorporated into the sections following, but at an overall level, the responses received indicate:

- A mixed reaction from hotel operators depending upon the product type, their existing exposure nationally and in the South East, and their knowledge and awareness of the Island and its destination towns.

- Only two operators had the Island on their 'hit list' – Travelodge and Premier Travel Inn; Premier Travel Inn is already represented at Newport and is looking to extend for a second time. However they are also looking at a second or possibly third site, at Ryde and/or Cowes. Both of these brands have extensive geographic coverage across the UK and will therefore look at secondary and tertiary locations. Also, they can come into a destination with a relatively small number of rooms compared to most other active brands – anything from 40 rooms, whereas most other product offers that are new build look to deliver at least 80 rooms.

- A number of other developers and operators had looked at the Island following approaches from agents and landowners. This included boutique operator Alias and upper tier budget operator Golden Tulip. Both therefore had an informed opinion about the Island and its potential – or at least the locations they had looked at, which were both in Cowes/East Cowes. Alias was still prepared to consider investment based upon what they had seen and understood about the market; Golden Tulip was not. Alias had also looked at and advised upon Osborne House – with their Luxury Family Hotels hat on – and were still interested in this opportunity, depending upon the deal.

- Other hotel companies had recently been approached with opportunities that they were considering taking a look at – including Cendant (Days Inn, Days Hotel, Ramada Encore) and BDL (Holiday Inn Express and Ramada Encore).

- From the sample we spoke to, three operators said they definitely wouldn't consider investing on the Island at the present time – De Vere with their Village Leisure product (3 star, 120 rooms plus conference and leisure), Exclusive with their luxury spa hotel product (Pennyhill Park) and Golden Tulip (100-120+ rooms upper tier budget). However, there were a number of consultees who didn't respond to our calls and emails, including 4 star and golf hotel operators such as MacDonald.

- The remaining consultees said they were prepared to take a look, and simply did not know enough about the Island or its hotel market to give an informed opinion. They were keen to have evidence put before them of the potential on which to base a view.

- This informed and uninformed interest included 4 star, country house hotel, destination hotel, aparthotel, upper tier budget and budget offers.

- Undoubtedly the location that most consultees knew about or had visited was Cowes, and it was Cowes that generated the most potential interest. Many had been to Cowes Week or visited at another time to sail. There is a clear 'hook' here on which to capture interest in the Island, because of its associations with sailing events, Ellen McArthur, a perception of relative affluence, and image based upon events and activities as being ' a happening place'.

- There was also some interest in Newport, from the budgets, based upon their understanding of its role as the Island's administrative centre (therefore providing a business tourism market on the weekdays), and some knowledge of a lack of hotel provision here. Possibly, there is also budget interest in Ryde – the Planet Ice site is currently being actively marketed and has drawn some interest, and a second site in Ryde with a budget investor is likely to come forward in the next month.

- With regard to destination hotel development, it is important to make the point that one-off opportunities may well get a one-off response in terms of generating operator interest. We refer here specifically to Osborne House, which is a unique opportunity, and may well be considered by operators who would not normally put the Island on their hit lists, nor develop a standard branded offer here.

- It was interesting that some of those we consulted particularly one or two who had been involved in the Island over a number of years, felt that a sea change was underway. One consultee with property on the Island said that a recent visit had given the impression that the Island may have turned a corner, with new quality apartment schemes in evidence and prestige cars on the road helping create this view. Another felt that the Island 'isn't quite there yet, but will be worth reconsidering in 5 years time'.

In addition to potential interest from national chains, there is also scope to draw on the indigenous investment base on the Island. Those already with an interest in the Island may be more pre-disposed to consider a development opportunity based upon their more detailed knowledge of the market and understanding of the Island. It is more difficult to test this interest, but over the past 5 years a number of schemes have come forward, including:

- Terry Shaif re the development of a hotel at Wootton Bridge;
- Joe Manser re the development of a hotel at Cowes Yacht Haven;
- Les Pink re the redevelopment of the Carlton at Sandown and new hotel development at East Cowes, Newport and Ryde;
- Matthew Taylor with the development of a boutique hotel in Ryde.

Discussions with local agents on the Island also indicate that there remains strong interest from independent investors in the South East in purchasing and redeveloping existing hotels – provided they are marketed at a realistic price.

The table overleaf summarises the potential interest established to date. There are several points to bear in mind when reviewing this table:

- Clearly we have only sampled a part of the market, and it may be possible to generate other interest in a more widespread campaign;
- However, the uninformed nature of some of the responses we suspect may result in some fall-off of interest;
- Take up of opportunities is very deal dependent, and it may be possible to get a wider range of interest in management contracts, leases and joint ventures which are not tying up substantial amounts of capital for the hotel operators concerned.

Full details of the responses received during the survey can be found in Appendix 4, including an explanation in each case of investor/developer product interest.

Hotel Developer and Operator Interest in the Isle of Wight

Location	4 Star/ Conference	3 Star	Budget/ Upper Tier	Boutique	Quality Pub Rooms	Destination Hotels (Country House/ Golf/ Resort	Aparthotel
Not Specified/ Unknown		• Days Hotel	• Ramada Encore • Express by Holiday Inn • Days Inn		• Greene King		• Harrell Hospitality
Cowes/ East Cowes	• Marston		• Travelodge • Premier Travel Inn • Bropar • Express by Holiday Inn • Local	• Alias		• Simon Matthews-Williams • Luxury Family Hotels	
Newport			• Premier Travel Inn (extension) • Travelodge • Local				
Ryde			• Premier Travel Inn • Local	• Local			
Rural Area					• Greene King	• Simon Matthews-Williams	

4.6 BARRIERS TO SECURING NEW HOTEL INVESTMENT

The hotel developer and operator consultations identified a number of obstacles to delivering hotel investment on the Isle of Wight, detailed below:

- There is some uncertainty about the breadth and depth of the corporate market currently. The issue of a critical mass of businesses to generate the volumes required for developments of any scale was raised by a number of potential investors. Rate could also be an issue, in terms of how much the market will pay for rooms, impacting particularly on upper end hotel products.

- The population of the Island and its principal towns was also a perceived obstacle for a number of developers/operators. A minimum population of 100,000 is the normal benchmark for any hotel of 80-100 rooms+; some seek 150,000+ minimum. The Island's population is around 130,000, and its largest town 21,000, falling well short of these targets. There are two key reasons for setting population targets at this level. The first is the indicative level of development in the destination associated with a town of this size – this includes the likely level of business development. The second is the local catchment for leisure club, restaurants and function facilities – particularly for larger 3 and 4 star hotels.

- Access was also felt to be a limitation – the Island setting means time and expense to get there, and limits the broader catchment that a hotel might draw on – particularly impacting on specialist products.

- Seasonality was a key obstacle for those that knew the Island and those that perceive its primary leisure-driven market – it is still seen as a holiday destination first and foremost. The reality of the seasonality issue is that winter occupancies have been forecast for proposed schemes at less than 20% for some months, yet denied business in the summer and holiday periods clearly can't be recaptured.

- When discussing potential and performance with hotel investors, the levels of average occupancy and rate being achieved currently on the Island are below industry norms and the benchmark KPIs that they use, making the Island a less favourable investment location than other locations they may be considering. In addition, the fact that there is limited brand representation on the Island currently means that whilst there may well be potential for a brand to exceed averages, there is no clear evidence of this at present, leaving the market for branded hotels largely unproven on the Island. There are, however, some beacons of success that are achieving strong occupancies and rates that demonstrate that successful hotel businesses can work on the Island.

- For many – and certainly those like Golden Tulip who have gone a fair way down the line to investigating demand to feasibility stage – the combination of obstacles above means that investment on the Isle of Wight may well be perceived to carry too much risk. This is exacerbated by the fact that many branded hotel operators are looking to develop fairly large hotels of 80-120 rooms.

Removing or at least reducing this risk, demonstrating development and operational success, and producing evidence of demand potential will clearly be key to overcoming these barriers and securing new hotel investment on the Island.

In doing so, it will be important to make this information available to potential investors. Hotel companies expressed frustration at the difficulty they generally experience in getting information on demand, supply, economic data, sites and other information needed as background to their feasibility assessments. The Local Authority is the natural first port of call, but hotel operators frequently have to speak to 6 contacts or more (Tourism Officer, Planning Officer, TIC Manager, Economic Development Officer, Highways Officer, Estates Officer etc) to get the data they want – and still often don't secure what they need. This will also need to be addressed in any implementation plan.

Finally, planning and site availability are two of the most frequently raised obstacles to investment raised by hotel developers. The fact that it has not come through strongly in this testing exercise we suspect is that few of those consulted had looked closely at the Island before. However, it will be important to make sites available and to create an enabling planning framework if interest is to be translated into development on the ground. Site allocation in the LDF and Area Action Plans is one such route, but bearing in mind the perceived risk factor of investing on the Island, there may also be a need to be creative about site and development solutions, for example by permitting enabling development or finding an alternative route to adding value/reducing costs on schemes.

In spite of the above obstacles, a number of hotel developers and operators are prepared to look more closely at the Island, presenting an excellent opportunity to sell the offer, understand their requirements in more depth, and work in partnership to try and make the desired investment happen.

4.7 MATCHING MARKET POTENTIAL AND DEVELOPER INTEREST

The table overleaf summarises the market potential for new hotel development on the Island, and matches this to the interest expressed by hotel developers from our developer survey.

Isle of Wight Hotel Investment Potential – Matching Market Potential and Developer Interest

Type of Hotel	General	Shanklin		Sandown		Ventnor		Ryde	
	Developer Interest	Market Potential	Developer Interest	Market Potential	Developer Interest	Market Potential	Developer Interest	Market Potential	Developer Interest
Major new build 3/4 star (100 rooms +)	✓U								
Upgrading of existing hotels to 3/4 star		✓	✓	✓	(✓) NT	✓	(✓) NT	✓	(✓) NT
Repositioning of existing hotels to 4/5 star guest accommodation		✓	(✓) NT	✓	(✓) NT	✓	✓	✓	(✓) NT
Boutique		(✓) LT				✓	✓[1]	✓	✓[2]
Budget								✓	✓
Upper-Tier Budget[3]	✓U								
Country house hotels	✓U								
Golf hotels (30-50 rooms) added to golf courses/ or golf courses added to hotels									
Major golf hotels/ resorts (120 rooms +)									
Spa hotels									
Adult only hotels/ resorts		(✓) C		(✓) C					
Aparthotels	✓U	(✓) C		(✓) C				(✓) NT	
Luxury family hotels									
Quality pub hotel accommodation								(✓)NT	(✓) NT

Key:

✓	Evidence of market potential
(✓)	Possible market potential
LT	Possible longer term market potential
C	Possible new-build potential, but conversion of existing hotels more likely
NT	Market potential not fully tested
✓	Identified developer interest
(✓)	Possible interest
U	Uninformed interest that may wane on further investigation
NT	Developer interest not fully tested

Notes:

1. Hambrough Hotel currently being redeveloped as a boutique hotel
2. Matthew Parker currently developing boutique hotel in Ryde
3. eg Express by Holiday Inn, Tulip Inn, Ramada Encore

Type of Hotel	Cowes		Newport		West Wight		East Wight		Rural	
	Market Potential	Developer Interest	Market Potential	Developer Interest	Market Potential	Developer Interest	Market Potential	Developer Interest	Market Potential	Developer Interest
Major new build 3/4 star (100 rooms +)		(✓) U								
Upgrading of existing hotels to 3/4 star	✓	(✓) NT	✓	(✓) NT	✓	(✓) NT	✓	(✓) NT	✓	(✓) NT
Repositioning of existing hotels to 4/5 star guest accommodation	✓	(✓) NT	✓	(✓) NT	✓	(✓) NT	✓	(✓) NT	✓	(✓) NT
Boutique	✓	✓								
Budget	✓	✓	✓	✓						
Upper-Tier Budget[1]										
Country house hotels	(✓)NT[2]	(✓) U			(✓)NT		(✓)NT		(✓)NT	
Golf hotels (30-50 rooms) added to golf courses/ or golf courses added to hotels					(✓)NT		(✓)NT	✓[3]	(✓)NT	
Major golf hotels/ resorts (120 rooms +)										
Spa hotels	(✓) NT				(✓) NT		(✓) NT		(✓) NT	
Adult only hotels/ resorts					(✓) NT		(✓) NT		(✓) NT	
Aparthotels	(✓) NT									
Luxury family hotels	[✓)NT [2]	✓			(✓) NT		(✓) NT		(✓) NT	
Quality pub hotel accommodation	(✓)NT	(✓) NT	(✓(NT	(✓) NT	(✓)NT	(✓) NT	(✓)NT	(✓) NT	(✓)NT	(✓) NT

Key:

✓	**Evidence of market potential**
{✓}	**Possible potential**
LT	**Possible longer term**
C	**Possible new-build potential, but conversion of existing hotels more likely**
NT	**Possible market potential – not fully tested**
✓	**Firm developer interest**
{✓}	**Possible interest**
U	**Uninformed interest that may wane on further investigation**
NT	**Possible developer interest – not fully tested**

Notes:

4. e.g. Express by Holiday Inn, Tulip Inn, Ramada Encore
5. Osborne House
6. Priory Bay currently planning to develop a golf course

Our key conclusions from this assessment of market potential against developer interest are summarised as follows:

- The strongest evidence currently of market potential and firm developer interest is in budget and boutique hotel development in certain parts of the Island – Newport (budget), Ventnor (boutique), Ryde (budget and boutique) and Cowes (boutique and budget);

- The market potential for other types of hotel development on the Island is not fully proven and developer interest largely uninformed;

- There is no clear market potential or firm developer interest currently in:

  - Large 3/4 star hotels;
  - Upper-tier budget hotels
  - Major golf hotels/ resorts;
  - New build hotels in Shanklin and Sandown (although there is interest in the redevelopment of existing hotels here).

4.8 SITE AVAILABILITY

As part of the study, over 20 sites were put forward as either past or current locations for potential hotel investment. Full details of these sites and our commentary can be found at Appendix 3. Our key conclusions from this sites assessment in relation to the market potential and developer interest we have identified for new hotels on the Island are summarised as follows:

- There are good sites available in Newport, Ryde and Cowes to meet the identified market potential and developer interest in budget hotel development in these locations:

- There are some sites to meet the market potential and developer interest for boutique hotels in Cowes and Ryde;

- Osborne House presents a unique opportunity for the development of a luxury destination hotel on the Island;

- There is no clear market potential or developer interest currently in the sites allocated for hotel development in Shanklin and Sandown, other than possibly the development of aparthotels. The potential for securing hotel development on these sites looks likely to be much longer term, we feel;

- There are no sites or properties currently identified for country house hotels, golf hotels or other destination hotels.

For the purposes of moving development forward we offer the following comments:

- The fact that much of the Island is sensitive in landscape terms presents its own limitations for new development, focusing on the key settlements and often on brownfield sites;

- There will frequently be strong competition for such sites from alternative higher value uses, most particularly residential and retail, that would price the hotel developer out of the market; these factors also put pressure on hotel sites that could be available for redevelopment as hotels – even clearing them and building new – for alternative uses;

- Both of these factors point to the need to allocate sites where there is evidence of demand, and to look to enable development to happen where required, with hotels being delivered as part of mixed use schemes;

- The LDF offers an opportunity to do this, but we would also advocate an element of flexibility to permit the Council to be responsive to schemes that might come forward, including schemes in the rural area;

- Hotel development site needs should be evaluated as part of any major regeneration schemes e.g. East Cowes, Sandown and Shanklin Bay, preferably through consultation directly with hotel companies, to ensure their requirements can be met;

However, the hotel will not want to lead a regeneration scheme; in terms of timing, hotel development will follow the regeneration and serve the demand this creates. There may therefore be a timing issue on some of the sites under consideration.

5. THE POLICY CONTEXT

5.1. THE BIG PICTURE

Clearly it is important that the hotel infrastructure of the Island helps to support and grow the tourism industry and the wider economy, and deliver the strategic objectives as identified by the public and private sector partners across the Island.

The past five years has been a time of significant change and review in the national, regional and local planning and tourism policy framework, with on-going developments in this field that will impact upon the context in which hotel development will take place on the Island.

National Planning Guidance

Planning Guidance for tourism was contained in PPG 21 until its recent cancellation. This PPG is to be replaced by Good Practice Guidance (currently in preparation) together with a review of the remaining PPGs to ensure that tourism focused issues are adequately addressed.

The reasoning behind this was that the issues surrounding tourism development could be adequately dealt with by other guidance, most notably PPG6 (Town Centres and Retail Development) and PPG13 (Transport). There has however been a lack of clarity over the application of the inherent principles of these Guidance notes to tourism land-uses.

As a result of the Planning Green Paper, Local Development Frameworks complemented by Regional Spatial Strategies will replace structure plans and local plans. The new arrangements should allow for faster preparation of planning policy and better integration with tourism strategy, at local, sub-regional and regional level.

The proposed changes in Development Control also aim to improve the quality and speed of decision-making, requiring a more customer-focused approach.

Regional Planning Guidance

SEERA took up responsibility for regional planning and transport in April 2001. The Government required them to undertake early reviews of selected policies in Regional Planning Guidance (RPG9). Tourism was one of these policy areas, and a consultation document 'Destination South East' was produced in October 2002. Following a process of consultation and Public Examination, these policies have been refined and now form part of the Draft South East Plan. Further consultations are underway on this document, but the Plan is scheduled to be submitted for Government approval in October 2005. After this it will be a legal document. The Plan sets out a vision for the region through to 2026, addressing issues such as housing, transport, economy, environment and tourism.

RPG9 and the Draft South East Plan incorporate specific policies relating to the tourist accommodation sector. These policies seek to:

1. facilitate a consistent approach to planning for accommodation
2. ensure planning policies reflect both the diversity of the sector and market reality
3. provide clear guidance on the location of development.

These policies are set out in TSR5. Part I) sets out six aspects of tourist accommodation that should be addressed in development plans, whilst Part ii) advocates that the Regional Tourist Board and local authorities should jointly monitor the demand for and supply of accommodation. The policies are detailed below.

POLICY TSR 5

The diversity of the accommodation sector should be positively reflected in tourism and planning policies.

1. In formulating planning policies and making decisions local planning authorities should:

1. ***Consider the need for hotel developments to be in the proposed location, including links with the particular location, transport interchange or visitor attraction, and seek measures to increase access by sustainable transport modes.***
2. ***Provide specific guidance on the appropriate location for relevant accommodation sub-sectors. This should be informed by their different site requirements and market characteristics and how these relate to local planning objectives.***
3. ***Encourage the extension of hotels where this is required to upgrade the quality of the existing stock to meet changing consumer demands.***
4. ***Include policies to protect the accommodation stock where there is evidence of market demand.***
5. ***Strongly encourage the provision of affordable staff accommodation as part of new and existing accommodation facilities in areas of housing pressure. The criteria for the application of such a requirement should be clearly set out in the development plans.***
6. ***Facilitate the upgrading and enhancement of existing unserviced accommodation, including extensions where this will not harm landscape quality or identified environmental assets. Particular attention should be paid to identifying suitable sites for the relocation of holiday parks under threat from coastal erosion or flooding.***

2. Tourism South East and local authorities should, working together, undertake active monitoring of the demand for and supply of tourism accommodation on a regional and sub-regional basis.

The supporting text identifies a number of issues that inform this policy, including:

1. *Development plans should be based on a thorough understanding of the needs of accommodation developers and operators and the demands of their markets.*
2. *This should be built upon an on-going dialogue between planners and the industry.*
3. *And supported by regular monitoring and assessment of both demand and supply.*
4. *Hotel developers find it difficult to compete with land values in many urban areas.*
5. *Mixed-use developments may be the only way to achieve town centre hotel development.*
6. *The exceptions to sequential testing for hotels out of town are country house hotels and provision associated with key transport gateways and regionally significant visitor and sporting attractions.*

The other significant implication coming out of the Draft South East Plan is the onus on local authorities to accommodate a specified number of new dwellings over the plan period. This is likely to make it even more difficult for hotels to secure sites for development, as already they are struggling to compete against higher value residential uses; a policy preference in favour of residential use and allocations presents a double whammy for the hotel sector.

At a time of such change in the national and regional planning framework, there is a clear opportunity to influence the emerging policies and guidance as required, but this should be based on an informed approach to the issues with the evidence to back arguments up. The Hotel Futures report will provide a sound research base for issues relating to hotel needs on the Island.

5.2. LOCAL POLICY AND DEVELOPMENT PRIORITIES

Current policies relating to the development of hotel accommodation and its retention are contained in the **Isle of Wight Unitary Development Plan 1996-2011**. Work has begun on the preparation of the Local Development Framework and is at Core Strategy stage. The findings of this study will help inform this policy development and set the framework to 2026.

The current Plan has several policies relating to hotel development:

T3 – Criteria for the Development of Holiday Accommodation

A general policy covering the development of holiday accommodation that permits in principle new hotel development and the expansion of existing hotels;

T4 – Designation of Hotel Areas

This policy designates Hotel Areas in which proposals for new hotel accommodation are acceptable in principle. Also within these areas, applications involving the loss of hotel accommodation will only be approved where they involve up-grading of existing hotels. There are two designated hotel areas – one in Sandown and one in Shanklin. These Hotel Areas were largely inherited from the former South Wight local plan, and cover the main esplanades and a substantial area adjacent to the town centre in each case. The aim of the protection was to prevent the undermining of these concentrations of hotel stock by the introduction of other uses, particularly residential. These policies apply to all hotels, irrespective of the number of rooms they have. In Ryde, Newport and Cowes it was not possible to allocate specific hotel areas as the stock was not concentrated in an easily definable area.

T5 – Hotels Outside of Defined Hotel Areas

Outside the defined areas, development resulting in loss of hotel accommodation will only be approved where there is a change of use to self-catering, existing accommodation is up-graded, or the proposal involves a hotel with less than ten rooms. These policies apply Island-wide outside the hotel areas and therefore cover Newport, Ryde and Cowes, as well as country house hotels in the rural area. New development it is anticipated will be within settlement boundaries.

T7 – Sites Suitable for Tourism Related Development

This policy identifies 8 sites for tourism development (including hotels):

- Shanklin Esplanade
- Battery Gardens, Sandown Bay Leisure Centre, Old Reservoir and Los Altos Park
- Culver Parade and land at Yaverland, Sandown
- Westridge, Ryde
- Upper Chine (school site)
- Ryde Sea Front
- Woodside, Wootton
- St George's Park, Newport

T9 – Small-Scale Rural Tourism Development

This policy allows for expansion of existing hotels or conversion of residential property to hotel use.

In addition to the Local Plan, there are a number of other policy documents of relevance to the wider context for hotel development. These include:

- The Isle of Wight Tourism Development Plan
- The Sandown Bay Regeneration Strategy and Vision for The Bay
- The East Cowes Masterplan

The **Tourism Development Plan** is in effect the tourism strategy for the Island through to 2020, published in Draft form in April 2005. This is very timely, because it provides an up-to-date vision for the industry to feed into the LDF process. It addresses sector specific issues, of which commercial accommodation is one, and from which the commissioning of the Hotel Futures Study has emanated. The Plan also identifies key customer groups, and clearly the hotel sector (along with other accommodation) will need to evolve to meet the needs of these target groups. It does not go as far as identifying the type of product that each segment requires; however, we have done this as part of the Hotel Futures exercise in section 7.3 of this report. This will ensure that the hotel development strategy ties in with the marketing thrust and delivers the required product.

The **Sandown Bay Regeneration Strategy** (Arup) has recognised the need to lift the quality of the product and the range of the offer, and the hotel sector is very much part of this. Several sites are identified for hotel development, reflecting the allocated sites in the UDP. This included:

- A site on Sandown Pier and Esplananade for a contemporary town house hotel
- The Spa site car park at Shanklin for a 4 star hotel and spa

Also within this document there is an aspiration for a boutique hotel on Shanklin Esplanade/Sandown High Street that is not site-specific. Subsequent consultations with Isle of Wight Council have also highlighted the Yaverland area as a potential location for an aparthotel. The regeneration strategy focused on land use, but certainly from a hotel perspective did not involve any assessment of market potential and feasibility.

The Arup report has provoked numerous areas of discussion about the potential for The Bay. Its refinement is being taken forward by The Bay Regeneration Steering Group, which aims to raise standards and create opportunities in The Bay.

This Hotel Futures study clearly has a role to play in feeding this market information into the further development of the Bay Vision, to ensure the proposals are realistic and sustainable.

The **East Cowes Masterplan** is an evolving document, at the time of writing in a Revised format following public consultation in February and March 2005. The Masterplan incorporates a comprehensive redevelopment of East Cowes around the ferry terminal and Esplanade, which will include a landmark Maritime Heritage Experience, a marine industries area at Venture Quays, an events space, a high speed passenger ferry service and interchange, community facilities, and two hotel sites:

- A site for a budget hotel opposite the ferry terminal on the Trinity House car park site;
- A site for a quality hotel at Victoria Barracks, adjacent to Venture Quays and the Esplanade.

SEEDA have to date spent around £14 million acquiring land in this area, and together with English Partnerships, Isle of Wight Economic Partnership and Isle of Wight Council will form Island Renaissance as a delivery vehicle to make this investment happen.

5.3. HOTEL SECTOR PLANNING POLICY GUIDANCE

Tourism South East has worked with Tourism Solutions/ACK Tourism and partner local authorities in the region on as number of hotel studies over the past 5 years. These studies have resulted in two pieces of best practice planning guidance for the hotel sector:

5.3.1. Accommodation Retention Planning Policy Guidance

The first of these related to accommodation retention, for which the Guidance is still in preparation, but is available in draft form. The West Kent and East Sussex Tourism Accommodation Retention Study, together with a similar study for Oxford City Council and a piece of scoping research on resort retention, have helped to inform an embryonic **Accommodation Retention Planning Policy Guidance** note being put together by Tourism South East. The Guidance also draws upon a series of good practice reviews of retention policies in resorts and historic towns.

We summarise below some of the key principles it suggests should be adopted and an outline of the approach proposed. These include:

a) Retention Policy Planning Principles

A number of principles emerge that should form the backbone of a Local Authority's approach to planning policies relating to the retention of tourist accommodation. The policies should be:

- Well-defined – clearly spelled out so that there is transparency in the policy itself, the rationale behind it, and how it will be implemented;
- Consistently applied – out of both fairness to applicants but also so that officers, members, inspectors and applicants/their advisors cannot challenge the Council in its approach;
- Objective – criteria-based policies seem to be the way forward, and provide a set of requirements that the applicant must respond to and provide evidence against;
- Economically realistic – the issue of viability is at the core of many of the change of use arguments and the Council should understand these arguments fully;
- Reasonable – this is about understanding the arguments and when it is appropriate to let accommodation go, (having met the specified criteria) both in terms of the individual circumstances surrounding a property and the contribution it is making to the bigger picture;
- Prioritise needs – defining core areas where it is desirable that accommodation be retained, in order to guarantee maximum benefit from the retention policy;
- Linked to tourism strategy – policies should support the destination's broader tourism objectives;

- Flexible – this is about being responsive to destination and market need; an adequate supply is not an absolute, but will change according to market need, other changes in supply through new accommodation coming on stream and other economic, destination and market factors;
- Market-led – linked to the above point on flexibility, it will be important to closely monitor trends in both demand and supply in order to inform planning decisions;
- Not be used to perpetuate forms of accommodation for which there is no market.

Incorporating these key principles into the planning approach for the Island will, we believe, ensure a robust and fair policy that should meet the tourism needs of the Island and be responsive to future needs over the LDF period. The guidance goes on to take a closer look at how these principles can be delivered, relative to destination needs, and in particular the detail in terms of criteria and assessment procedures that will form the basis for considering applications under this policy.

b) Key Planning Issues

The retention research identified the following key issues that will need to be reflected in the planning policies relating to tourist accommodation:

- The ability to offer a good choice of accommodation – both now and in the future – to meet the needs of different visitor markets will be a key factor in the future prosperity and development of a visitor destination.

- The research in each case found some locally significant losses of accommodation, but also evidence of new supply coming on stream or potentially coming on stream if planning approvals are implemented and identified sites developed. The loss of some small independent hotels and their replacement with budget hotels, the development of pub accommodation and the expansion of existing operations were in evidence. To what extent this is a function of poor management/lack of investment, changing consumer tastes, the pressure for higher value uses such as residential, and natural churn and regeneration in the market it is difficult to dissemble. All these factors have a role to play.

- It seemed likely that the destinations assessed could well lose further guesthouse, hotel, and inn accommodation in the future, due to the pressure for alternative uses for such properties, especially from the residential sector. Where this is the case, planning policies on change of use will need to be strengthened, together with the introduction of greater transparency and consistency in their application.

- It is also important to recognise that visitor requirements and tastes in terms of accommodation change over time, particularly as new types of accommodation come on stream. Changing holiday patterns and a shift in market focus also generate different demands for accommodation which existing stock is not always in the best position to respond to. New accommodation development provides the higher standards of accommodation that visitors now require (particularly in terms of en-suite bathrooms) which some operators – particularly in the small independent sector – are unable or unwilling to provide.

- Retention at all costs therefore does not seem a reasonable objective. There is a natural ebb and flow to any market that can result in a healthy regeneration of the product offer. However, a number of factors at work in the marketplace – rising property values, declining profitability, a weaker tourism market, together with increasing demand from alternative uses – point to increasing pressure on this sector. In view of this, and the importance of retaining a diverse accommodation offer, it is likely that the sector will continue to need some protection, albeit with an element of flexibility built into it, to allow response to market need and supply changes.

c) Tightening Up Current Isle of Wight Hotel Planning Policies

Having reviewed the current UDP policies for hotels and the tourism and regeneration strategies for the Island, we offer the following comments on improving the Council's current hotel planning policies:

- The preparation of the LDF presents an excellent opportunity to create an enabling framework for the hotel sector to flourish, both in terms of attracting new hotel investment and up-grading the existing offer;

- In terms of attracting new hotel investment, policies need to reflect some of the commercial realities of attracting new hotel development to the Island and help to reduce the risk of such investment by enabling development where the need can be demonstrated, e.g. permitting some associated residential or other higher value development;

- Outside the main settlements, it is not clear whether some forms of development for which there could be potential would be permitted e.g. the conversion of an historic property for hotel use or adding rooms to a restaurant, pub of golf course. Policies will need to be checked against the market potential identified in the Hotel Futures Study as part of their development for the LDF;

- Current site allocations and indeed the identified hotel development opportunities in the Regeneration Strategy and emerging East Cowes Masterplan are not currently informed by market evidence. The findings of the Hotel Futures Study, particularly in terms of the priority for boutique hotel development here, rather than a budget hotel, should feed into the further development of these plans and strategies and should help inform site allocations in the LDF;

- The policies as they stand and their supporting text do not provide a clear view on what the Council is trying to achieve in terms of hotel development in each destination; it was felt by Development Control that this would be useful in helping guide their work, though at present this is managed through seeking comments on schemes from Isle of Wight Tourism;

- Area Action Plans might be the best vehicle for delivering this guiding vision at a local level; Cowes and Ryde particularly lack this area hotel vision having no designated hotel zone;

- Retention policies in the current UDP are good, but would benefit from being made clearer and more transparent;

- The Hotel Futures Study has demonstrated an oversupply of hotel rooms in Sandown and Shanklin, so there does need to be a programme of managed loss and new investment to restore balance and deliver a hotel offer here that better meets current and future market requirements. With the current pressure for residential development and the considerably higher values that hotels can realise for residential conversion or redevelopment, the process of losing hotels will need to be very carefully and pro-actively managed to avoid too much loss, to retain good quality and prominently located hotels and encourage continued investment in existing hotels;

- There is no transparent procedure or detailed criteria for applicants or the Development Control team to work to in considering change of use cases. There is an informal 'shopping list' of factors that planners look at and this is explained verbally to applicants – it includes the quality of the building and accommodation, surrounding uses, ability to attract passing trade, the cost involved to up-grade a property, whether it is a going concern or can be made viable;

- When a case has been made, inputs are usually sought from Isle of Wight Tourism on the contribution of each site to the tourism offer and impact of its loss, and Council surveyors are consulted about costs and viability; this approach is somewhat ad-hoc and lacks independent validation;

- All of this need tightening up, setting out in a clear published format for all to see and understand and supporting with professional inputs; an SPG may be the best vehicle for this. The establishment of some sort of consultancy service to proactively work with hotels that are considering change of use could be highly beneficial;

- The hotel development areas will need to be revisited as part of the LDF and SPG preparation. It may be possible to redefine these to enable some of the more marginal properties to exit whilst protecting the core and seafront properties that tend to perform more strongly if well managed. It may be possible to look at 'clusters' rather than one continuous 'zone' that will ensure key properties are retained and their surrounds protected from detrimental uses;

- The size rule also needs revisiting; it has been open to abuse as larger properties bring themselves within the less than 10 rooms category by allocating a larger portion of the property for personal use. Raising the threshold at which change of use will be challenged is also another route to allowing hotels to exit. The potential impact of this would need to be modelled, as would a reduction in the designated hotel areas of Sandown and Shanklin;

- The policy that permits change of use to self-catering does not seem to be supported by any evidence of need for self-catering accommodation either on the Island generally or at destination level. The continuing application of this policy should really be supported by some research that can build upon the region-wide studies undertaken by Tourism South East;

- Controlling the quality of development and ensuring that developers deliver other benefits as part of a planning permission is another area that would seem to require tightening up. Attaching conditions to developments through Section 106 agreements is the route adopted, but the Council has been challenged on this in some areas. It will be important that any conditions likely to be attached are set out as part of the main policy document. Items that might be dealt with in this way include:

    - Agreement to invest in a hotel if partial conversion to residential is permitted;
    - Agreement to convert to self-catering for tourists and conditions to prevent permanent occupation (the 28 day rule);
    - The quality of the resulting self-catering e.g. to a minimum national grade, to prevent poor quality stock resulting;
    - Building design and quality e.g. restricting external pipework (relating to bathrooms) to prevent multiple occupation;
    - Agreement to keep records of staying guests and have them available for inspection (again to prevent long lets/permanent occupation);
    - Agreement to pay an 'exit tariff' (a payment of part of the enhanced value of the property for e.g. residential development, that would be ring-fenced for re-investment in the tourism infrastructure of the destination thus helping restore its long term sustainability) when a hotel is granted change of use is one area being looked at in retention policy development; this needs further work, but has the potential to be enforced through legal agreement provided it has the appropriate policy support in the main LDF document.

d) Improving Hotel Retention Assessment Procedures

Putting a system in place that will equip the Island's planning and tourism teams to assess the current and future tourism potential of hotels that are seeking change of use permission should enable a systematic and informed view to be arrived at that can be consistently and fairly applied.

A review of policies in the light of these requirements, allowing for some managed/negotiated loss alongside policies for new provision, is likely to be the first step. It is however important for the Council to be more transparent in both the rationale behind these policy decisions, and indeed about the criteria that will be used to assess applications.

The cornerstone of the strongest retention policies reviewed in the TSE work were proof of (1) endeavours to sell the business as a going concern and (2) non-viability. Below is a suggested approach that outlines how criteria in relation to these two key policy areas can be developed.

Proof of Marketing for Sale. It would not seem unreasonable to request that applicants should demonstrate their endeavours to sell the business as a going concern for a minimum period of time before applying for change of use. Applicants need clearer guidance however on what is required of them, which could cover:

- A minimum period of marketing for sale of 1-2 years;
- The use of reputable local or specialist national agents;
- Marketing at a realistic/competitive price – determined through monitoring of local tourist accommodation sales and/or an independent valuation (commissioned by the Council but paid for by the applicant);
- The supply of evidence of sale marketing (brochures, advertisements) and of response (interest and offers).

Evidence of Non-Viability. The second criterion relates to the submission of substantial evidence of non-viability. This whole area is more difficult to provide criteria for, as a viable level of income or profit will vary significantly between operators, depending upon their individual circumstances, particularly their business motivation, the amount they need to take out of the business, and how the business is financed. In addition to economic viability, there are also issues of operational viability to address.

A procedure could be established that would form the basis for assessing these applications, which the applicant would need to provide much of the evidence for, but that would also require independent/external inputs (these might come from Isle of Wight Tourism, Tourism South East, and/or specialist consultants, letting agencies and advisors). These criteria are based upon the approach it would be reasonable to expect a professional operator to take to their business, (demonstrating that the business has not been deliberately run down) together with an assessment of the wider potential. They could include:

- Location:
    - Is the hotel well located (on the seafront/ close to the centre of the resort) or not so well located (e.g. on the periphery of resorts/ towns or in a side street)?
    - Does the hotel have good visibility?
    - Does the hotel have sea views?
- Potential to upgrade the property
    - What state is the hotel in?
    - Can the hotel be physically and affordably upgraded?

- What would be the cost of putting the hotel back into good order and upgrading?
- Is the property sufficiently attractive to merit retention as a hotel?

- Car parking

  - Does the hotel have adequate car parking to enable it to target private guests more/ reduce its reliance on coach holidays and school groups?
  - Can more car parking be easily and affordably be provided?

- Trading performance and potential:

  - Is the hotel trading on a par with similar standard hotels in the area?
  - What are the reasons for poorer trading performance?
  - Does the hotel have an effective business strategy?
  - Is there scope for the hotel to attract new higher paying market segments? Has this been fully investigated?
  - Is there scope for the hotel to extend its season? Has this been fully considered?
  - How well marketed is the hotel? Is there scope to attract new business through increased and improved marketing?

- Consideration of alternative options:

  - Have all alternative options to change of use been fully evaluated e.g. partial conversion to residential or self-catering, redevelopment as an aparthotel.

The detailed criteria and the evidence that applicants would need to present in support of their submission should be set out in Supplementary Guidance e.g. business plan, marketing plan/activity, annual accounts, development costings.

These cases presented can be very difficult to assess, certainly without some expertise in the hotel industry. We would ideally advocate a proactive approach to working with hotels that may be considering change of use, through the use of hotel industry experts to work with such hotels to look at all of their options, develop alternative business strategies, or make objective recommendations to the Council's Planning Department where change of use is deemed to be the best option for a hotel.

The research and guidance suggests that it is important to relate the individual circumstance of any case under consideration, both in terms of change of use and new development applications, to the bigger picture of demand and supply of tourist accommodation in the competitive market. It advocated that policies should be flexible to meet market needs, but the picture will change over any plan period. Planning necessarily seeks to take the longer view and to operate in the public interest, and inevitably imposes some constraints on the operation of market forces. However, revisiting the bigger demand and supply picture over the plan period will enable the system to be responsive whilst still adhering to its longer term objective.

Monitoring mechanisms will need to be put in place to ensure that an up-to-date picture is maintained on an on-going basis.

5.3.2 Attracting Hotel Investment

Tourism South East has also issued Planning Guidance for Local Authorities on **Attracting Hotel Investment** (September 2004). This Guidance was also prepared by Tourism Solutions and has been put forward to the ODPM for inclusion in the national best practice guidance for tourism currently in preparation.

The guidance identifies four cornerstones of good practice in attracting hotel investment:

- Effective communication
- Positive planning
- Pro-active inward investment
- Market-focused monitoring.

The key recommendations from both pieces of hotel sector planning guidance will be built into the Development Strategy section of this report, adapted as necessary to any new or emerging factors coming out of the 2005 research and any local circumstances particular to the Island.

6. CONCLUSIONS AND KEY MESSAGES

6.1. INTRODUCTION

In the following section we draw together our conclusions from our research and consultations in relation to the 6 key issues that we believe should shape the future strategy for the development of the Island's hotel sector:

- The potential to extend the season for the Island's hotels;
- The potential to reduce the reliance by many hotels on low-rated coach holiday and school group business;
- The scope to attract higher spending hotel customers to the Island;
- The potential to secure investment in existing hotels;
- The scope to attract new hotel development to the Island;
- The need for managed loss of existing hotels.

6.2. THE POTENTIAL TO EXTEND THE SEASON

Our Conclusion:

- **There is potential to extend the season for the Island's hotel industry in the shoulder months, but achieving strong winter hotel demand will be difficult**.

This conclusion is based on the following key findings of our research:

- The coach holiday and group tour market is likely to remain the only source of volume business for the Island's hotels in the winter. Any strategy aimed at extending the season must clearly recognise the role of the coach holiday and groups market in achieving this.
- Recent research by Mintel clearly states that this market is not going away, and that it does have positive future prospects.
- Hotels that have switched from the coach holiday market to private guests tend to have a shorter season. If the strategy were to be to encourage hotels to move over entirely to private guests this could result in a shorter season. This reinforces the view that the coach holiday and groups market will continue to play a key role in extending the season for many of the Island's hotels.
- The growth in the short break market should help to further extend the season for many hotels, particularly in terms of boosting weekend occupancies in the shoulder season, and potentially attracting midweek leisure break business in the mid season from the growing emptynester and retired markets.

- Hotels that cater more for private guests and groups can potentially extend their season through one or more of the following means:

    - Internet marketing;
    - the promotion of special offers e.g. through the Internet, direct mail to their customer bases, or newspaper advertising;
    - special events e.g. the Fat Cat Beer Festival in March at the Sandpipers Hotel at Freshwater;
    - themed breaks for private guests and groups e.g. bowls tournaments, dance breaks, skittles weekends, gourmet weekends;
    - targeting special interest groups e.g. rambling clubs, bowls clubs.

- Higher quality hotels with a good food offer generally achieve longer seasons. The upgrading of hotels, achievement of special accolades for food, and development of further quality hotels will have a key role to play in helping to extend the season, therefore.

- The development of good quality leisure and spa facilities can help hotels to achieve a longer season and attract winter leisure break business. This will require significant investment on the part of hotels, however, which many hotels will have difficulty in finding.

- The development of further early and late season events along the lines of the Walking Festival and White Air could help to extend the season for some hotels on the Island.

- The schools market will continue to play a key role in boosting midweek occupancies in April, May and June for a number of the Island's hotels.

- Winter occupancies are likely to remain very low.

- Some hotels see very little scope to extend the season or to open in the winter for a number of reasons:

    - they choose not to open in the winter to have time with their family;
    - they need to close to undertake maintenance and redecoration work;
    - they do not consider it worthwhile opening due to insufficient demand and the very low rates that they could achieve in the winter;
    - they feel that there is nothing to attract visitors to the Island in the winter as most resort facilities, attractions and shops are closed.

6.3. THE POTENTIAL TO REDUCE RELIANCE ON COACH HOLIDAYS AND SCHOOL GROUPS

Our Conclusion:

- **There is potential for some hotels to reduce their reliance on coach holiday business to at least some extent, but many hotels will remain reliant on the coach holiday market for many years to come. The school groups market will remain a key source of early season business for many of the 2 star and diamond-rated hotels that currently cater for this market.**

This conclusion is based on the following key findings of our research:

- Despite the low rates from the coach holiday market, many hotels in Shanklin and Sandown see coach holidays as their key market for the future for a number of reasons:

    - they deliver good volumes of business over a long season;
    - they are the only significant source of business that hotels can attract in the winter;
    - they contract a year in advance, so hotels know that they have a good base of business for the year ahead, taking a lot of risk out of the business;
    - they will take all rooms, whereas private guests often only want a hotel's best rooms;
    - series tours require very little marketing effort or expenditure;
    - operating costs are lower, so dealing primarily with coach holidays can be as profitable as dealing primarily with private guests (if reasonably good rates can be secured);
    - some hotels have limited car parking, so are unable to switch over to private guests;
    - some hotels see no alternative markets that they can attract.

- Some hotels are, however, aiming to gradually build business from private guests with a view to phasing out coach holidays at least in the summer and at weekends in the mid season. Many hotels are turning away private guests at these times, suggesting that there is scope for more hotels to follow suit.

- There may be potential for a few of the smaller hotels that currently cater for coach holidays to move entirely over to private guests. This is likely to reduce their occupancies and the length of their season, but increase their achieved room rates. It may not necessarily result in increased profits, however, due to the higher costs involved in catering for private guests.

- There is potential for some hotels to attract higher-rated business from independent coach holiday operators and private and special interest groups. These markets will not deliver the volumes of business that national coach holiday operators can. It is unlikely that all hotels will be able to move into these markets. Many hotels will thus remain largely in the national coach holiday market.

- Targeting independent coach holiday operators and private and special interest groups will require significantly increased marketing effort by hotels, which many of them have neither the budgets, staff resources or marketing skills to do. Isle of Wight Tourism could thus play a useful role in co-ordinating such marketing on behalf of hotels.

- A significant shift away from coach holidays to private guests is likely to result in increased car traffic on the Island, so needs to be carefully managed.

- School groups are likely to remain a key early season market for some 2 star and diamond –rated hotels. They deliver high volume business for hotels in April, May and June, at a time of year when the hotels that cater for this market do not feel that they would be able to attract such good business from private guests. Most of the hotels that currently trade in this market indicated that they will continue to do so in the future, and may in some cases increase the numbers of school groups that they take.

6.4. THE POTENTIAL TO ATTRACT HIGHER SPENDING HOTEL GUESTS

Our Conclusion:

- **There is scope for the Island to attract more higher spending hotel customers given the development of a higher quality hotel offer and proactive marketing strategies for moving coaching hotels away from reliance on the national coach holidays market.**

This conclusion is based on the following key findings of our research:

- There appears to be good potential for more higher quality hotels on the Island that will attract higher paying customers. Existing quality hotels achieve good occupancies and rates and are turning business away in the summer and at weekends in the shoulder season months. Hotels with a good food offer appear to do particularly well. If more hotels can be encouraged to upgrade and new quality hotels can be attracted, there should be good potential to attract more higher spending hotel customers to the Island.

- As noted above there appears to be good potential for more coaching hotels to build business from higher paying private guests at least in the summer and shoulder season weekends, as well as scope for some hotels to attract more business from higher spending private and special interest groups if they target them effectively. Not all hotels will be able to do this, however, and many will remain largely reliant on the national coach holiday market.

6.5. THE POTENTIAL TO SECURE INVESTMENT IN EXISTING HOTELS

Our Conclusion:

- **There is potential to secure investment in improving and upgrading existing hotels on the Island, but the pace of investment will be relatively slow without some form of financial assistance. Many hotels will have difficulty in investing because of the low levels of profit that they are making.**

This conclusion is based on the following key findings of our research:

- Many hotels are already investing in improving their fabric and upgrading.
- There are people that are prepared to buy run down hotels and invest in putting them back into good order. Significant investment is often required initially in the fabric of such hotels, often leaving new owners having to delay investment in quality improvements to a later stage.
- Working with local agents, presenting properties and their performance in the best possible light with good supporting trading information, together with realistic pricing of hotel businesses are key to securing property sales.
- There have been some major investments recently in the refurbishment, redevelopment, upgrading and expansion of existing hotels.
- Many hotels have plans to upgrade. Some 3 star hotels are planning to improve their quality. Some 2 star hotels are looking at upgrading to 3 star. Some hotels are looking at adding leisure and/or conference facilities.
- Quality hotels generally perform at higher levels of occupancy and achieved rate, and many are turning away business on a regular basis. This suggests scope for more hotels to upgrade.
- Some 4/5 diamond hotels perform better than many 2 star hotels. There may be scope for 2 star hotels to reposition themselves as 4/5 star guest accommodation under the new grading scheme, therefore.
- Some indigenous hoteliers are interested in buying further hotels on the Island with a view to investing in them.
- Hotel profits on the Island are not generally that high. The pace of investment in existing hotels is likely to be relatively slow, therefore.
- Many hotels that cater primarily for national coach holidays, and those that are of a lower standard and/ or are less well located on the periphery of Shanklin and Sandown do not generate sufficient profits for reinvestment. Some of these hotels are getting very run down as a result.
- Some of these hotels will need to go out of tourism use. The strength of the high value residential market is likely to continue to exert pressure to exit from the sector.

- Some form of grant aid or other financial assistance, or other enabling assistance, would undoubtedly help to accelerate the pace of investment in the Island's hotel offer.

6.6. THE POTENTIAL TO SECURE NEW HOTEL DEVELOPMENT

Our Conclusion:

- **There is some potential to attract the following types of new hotel development to the Island (either through the redevelopment of existing hotels and other suitable properties, or new build development), based on the current performance of these types of hotel product on the Island and in the South East more widely; the hotel developer interest that we have identified; and the current availability of sites and properties for new hotel development:**
  - **Boutique hotels in Cowes, Ryde, Ventnor and possibly Shanklin (in the longer term);**
  - **Budget hotels in Newport, Ryde and possibly Cowes;**
  - **Country house hotels;**
  - **Spa hotels;**
  - **Golf hotels[21];**
  - **Adult only hotels;**
  - **Luxury family hotels;**
  - **Aparthotels;**
  - **Quality pub hotel accommodation;**
  - **Restaurants with quality rooms.**

The strongest developer interest currently is in budget hotel development in Newport, Ryde and Cowes and boutique hotel development in Ventnor, Ryde and Cowes. Securing other types of new hotel development may be more difficult and longer term. A number of national hotel developers and operators indicated that they would be prepared to look at the Island (albeit this was largely uninformed interest), and some indigenous hoteliers may also consider new hotel development or the redevelopment of existing hotels. Presenting evidence of potential within the context of the wider vision for the Island, demonstrating development and operational success, and providing an enabling framework to facilitate the development process and reduce risk will all be key to making this happen.

Care must be taken, however, to ensure that new hotels that are developed add to the Island's hotel offer, and are capable of attracting new business to the Island, rather than merely diluting the market for existing hotels. A proactive approach is needed to secure the type of new hotel development that will best meet the needs of the Island's destinations without undermining the performance and ability to reinvest of existing hotels.

[21] The potential for golf hotels is more likely to be in terms of the development of hotel accommodation (30-50 bedrooms) at existing golf courses rather than the development of major new golf hotels/ resorts (120 bedrooms +).

It will also be important not to increase the Island's hotel stock to such an extent that it creates increased traffic congestion. The priority is more one of repositioning the Island's hotel offer to provide a wider choice of more modern quality hotels and niche hotel products that will attract new markets to the Island, rather than significantly increasing the Island's hotel supply.

6.7. THE NEED FOR MANAGED LOSS OF EXISTING HOTELS

Our Conclusion:

- **There is a need to reduce the stock of hotel accommodation in Shanklin and Sandown in order to accelerate the upgrading and repositioning of hotels here. A more robust policy framework would enable better management of this process and help ensure maximum benefit to the destination.**

This conclusion is based on the following key findings of our research:

- Many of the lower grade, less well located hotels[22] in Shanklin and Sandown are achieving low occupancies and rates.

- Many hotels in the two resorts are reliant on low-rated national coach holiday business and do not appear to have the confidence, vision, ambition or skills to move over more to private guests and groups, and are also limited physically by a lack of on-site parking.

- Many of these hotels are not generating sufficient profits to reinvest in improvements.

- A reduction in the hotel stock in the resorts could help to give the remaining hotels the confidence to move more into the private market.

From our research it is clear, however, that many hotels, even the better performing and higher quality hotels, would sell up for residential development if they could: they know that their properties are worth considerably more for residential development than they are as hotels. This pressure for change of use is therefore likely to continue irrespective of hotel market conditions, presenting an on-going need for protection of hotel uses in prime tourist locations. Any loss of hotels will need to be very carefully and proactively managed, therefore.

[22] Hotels located on the periphery of the resorts or in side streets.

6.8. KEY MESSAGES

The key messages from our research are summarised as follows:

- There is a positive future for the Island's hotel industry;
- Hotels are slowly attracting new higher paying markets;
- The season is gradually extending;
- More hotels are staying open all year;
- Investment is happening;
- Quality is improving;
- Run down hotels are being bought up, with new owners investing in them;
- The Island is starting to see the development of more of a quality hotel offer.

But…..

- This will be a slow, gradual process of change;
- The coach holiday and school groups markets will remain important for many hotels and for extending the season;
- It will be difficult to secure strong, high-rated winter business for most hotels on the Island;
- Many hotels will find it difficult to upgrade and reposition;
- Some hotels need to be let go;
- There are barriers to investment in existing hotels and new hotel development that will need to be overcome;
- A clear and robust policy framework is needed to manage the process of change;
- A package of measures is needed to assist and accelerate change.

7. ISLE OF WIGHT HOTEL DEVELOPMENT STRATEGY

7.1. THE FUTURE VISION FOR THE ISLAND'S HOTEL SECTOR

The future vision for the Island's hotel industry is of a hotel sector that:

- Is vibrant and successful;
- Offers quality and diversity;
- Is commercially and environmentally sustainable;
- Meets market needs and customer expectations, both now and in the future;
- Helps to deliver wider objectives in relation to:
    - Spatial policy;
    - The Tourism Development Plan for the Island;
    - Economic development and regeneration;

7.2. STRATEGIC OBJECTIVES

The strategic priorities for the future development of the Island's hotel sector are identified as follows:

a) To improve the quality and range of the Island's hotel offer;

b) To attract higher spending hotel customers;

c) To extend the season;

d) To reduce the current reliance on low-rated coach holiday business by many hotels;

e) To improve hotel profitability;

f) To improve the marketing and management skills of the Island's hoteliers;

g) To improve the quality of employment in hotels on the Island.

These priorities are clearly inter-related and some are interdependent. For example, the quality of the Island's hotel offer needs to be improved to attract higher spending hotel customers; improving the profitability of coaching hotels can best be achieved by reducing their reliance on national coach holiday business; and the quality of employment in hotels can only be improved by extending the season (to provide year-round employment) and improving hotel profitability (enabling hotels to pay higher rates of pay and offer better terms and conditions)

7.3. TARGET MARKETS – MARKETING AND PRODUCT DEVELOPMENT REQUIREMENTS

Key target markets for the Island's hotel sector are identified as follows:

- Emptynester/ Retired Couples
- Career Couples
- Families
- Private and Special Interest Groups
- Independent Coach Holidays
- Residential Conferences, Team Building Events and Incentive Breaks

The rationale for prioritising these markets; key priorities for targeting them; and marketing and product requirements for attracting them are summarised in the table overleaf.

Overseas tourists are a smaller, and therefore secondary target market, we would suggest.

National coach holidays and school groups are not identified as key target markets as they are very low spending and are likely to still come without additional marketing or development of the Island's hotel product.

ISLE OF WIGHT HOTELS – TARGET MARKETS

Market	Rationale for Targeting	Priorities for Targeting	Marketing Requirements	Hotel Product Development Requirements
Emptynester/ Retired Couples ▪ From the South East ▪ ABC1	• Key potential market for midweek leisure breaks in the mid and possibly low seasons • Potential for more coaching hotels to target this market, at least in the high season and for mid season weekends • A growth market • A high spending market	• Target for midweek leisure breaks • Encourage coaching hotels to target this market more	• Internet marketing • Tactical marketing of special offer breaks • Direct mail/ email to existing customers • Targeted marketing of special interest and themed breaks • Image development and awareness raising activity to position the Island as a quality short break destination	• Upgrading of existing hotels • More 3 star hotels • Reposition more hotels as 4/5 star guest accommodation • More hotels with accolades for food • Good quality leisure and spa facilities in hotels • Boutique hotels • Country house hotels • Golf hotels • Spa hotels • Country inns
Career Couples/ DINKs ▪ From the South East ▪ ABC1	• Potential to attract to boost mid and low season weekends • A high spending market	• Target for mid and low season weekend breaks	• As for Emptynester/ Retired Couples	• As for Emptynester/ Retired Couples • Updating hotel restaurants (in terms of opening times, menus, layout, opening to the public) – to capitalise on the growing demand for B&B terms for weekend breaks
Families ▪ BC1C2	• Potential for more coaching hotels to move into this market for week-long holidays in the summer and other school holiday periods • Potential to attract family weekend break business	• Encourage coaching hotels to target this market more	• Encourage/ facilitate referral business from hotels that have to turn away family bookings	• Development of family suites • Aparthotels • Children's activities and entertainment e.g. Kid's Clubs, games rooms, Internet cafes • Provision of leisure facilities • Children's menus and flexible meal times • Budget hotels (shared rooms) • Apartment hotels • Family-orientated hotels

Market	Rationale for Targeting	Priorities for Targeting	Marketing Requirements	Hotel Product Development Requirements
Private groups/ special interest groups	• Often higher spending than coach holidays • Potential to attract in the mid and low season • Good growth potential	• Encourage and support hotels in targeting these groups	• Direct marketing to private and special interest groups • IWT could play a useful role in co-ordinating such marketing on behalf of hotels	• Special interest events and activities and themed breaks for groups • Facilities for special interests e.g. indoor bowling, dance floors/ ballrooms, skittle alleys, card tables • Walking/cycling accreditation
Independent coach holidays	• Will pay higher rates than national coach holiday operators • Good off-peak potential • Growth potential	• Encourage and support hotels in targeting independent coach holiday operators	• Direct marketing to independent coach holiday operators • IWT could play a useful role in co-ordinating such marketing on behalf of hotels	• Better quality coaching hotels with higher standards
Residential conferences, team building events and corporate activity/ incentive breaks	• High paying markets • Potential to attract midweek in the mid and low season • Some potential for ¾ star and some 2 star hotels + country house hotels	• Encourage suitable hotels to look at targeting these markets more	• Co-ordinated marketing of the Island as a destination for residential conferences, team building and corporate activities	• Development of conference facilities • Good quality leisure facilities • Upgrading of hotels • Country house hotels • Golf hotels • Spa hotels

7.4. PRIORITIES FOR ACTION

The Hotel Development Strategy is made up of six inter-related Priorities for Action, each comprising a series of specific measures:

PRIORITY 1: ENCOURAGING INVESTMENT IN EXISTING HOTELS

RATIONALE

Improving the quality of the Island's hotel offer is a key priority. Encouraging investment in existing hotels is central to this.

Investment in established hotels is starting to happen, and a number of hotels have ambitions to upgrade and/or reposition themselves and/or develop new leisure and conference facilities. Other hotels have yet to be persuaded of the benefits of upgrading, however.

Hotel profits are not generally significant on the Island. The pace of investment in existing hotels is thus slow. Some form of financial or enabling assistance would assist in accelerating the pace of hotel investment.

MEASURES

Measure	Lead Responsibility
a) Dissemination of the positive messages coming out of the Hotel Futures Study in terms of the stronger performance of higher quality hotels and redevelopment/re-positioning opportunities	IWT
b) This should include dissemination to: • The Island's existing hoteliers; • Developers and investors on the Island; • Mainland hotel companies, hoteliers and investors that might be prepared to buy hotels on the Island and invest in them; • Hotel property agents on the Island and mainland; • The hotel and leisure press and media.	
c) The production of case study materials on beacon hotel investment projects that have taken place on the Island and in other resort destinations.	IWT/ TSE
d) A Hotel Grants Scheme to provide grant aid or other financial assistance (e.g. low interest loans of relief on business rates) to assist and accelerate investment in existing hotels.	IWT

e) Promotion of the new national rating scheme for serviced accommodation, particularly in terms of encouraging and supporting some existing 2 star hotels to reposition themselves as 4 or 5 star guest accommodation. f) Positive planning policies and support for hotel extensions and redevelopment and upgrading projects, including support for major redevelopment schemes that may involve partial conversion to residential or self-catering (see Priority 6).	IWT IWC

PRIORITY 2: ATTRACTING NEW HOTEL DEVELOPMENT

RATIONALE

The Hotel Futures Study suggests possible market potential for the following types of new hotel development on the Island:

- Boutique hotels in Cowes, Ryde, Ventnor and possibly Shanklin (in the longer term);
- Budget hotels in Newport, Ryde and possibly Cowes;
- Country house hotels;
- Spa hotels;
- Golf hotels[23];
- Adult only hotels;
- Luxury family hotels;
- Aparthotels;
- Quality pub hotel accommodation;
- Restaurants with quality rooms.

Few national hotel developers are actively considering the Island as a development location currently, although some indicated that they would be prepared to look, and others felt that the Island could offer longer term potential for them. There may also be potential to attract investment in new hotels from indigenous investors on the Island. One-off hotel development opportunities, such as Osborne House, may also attract interest. Work is thus needed to build on the developer interest that the Hotel Futures Study has stimulated, to attract prospective developers to come and look at development opportunities on the Island.

The Hotel Futures Study suggests that there are a number of barriers to securing new hotel development on the Island that are likely to make some hotel investment decisions marginal. There may, therefore, be a need to provide some form of incentive, or to allow an appropriate level of enabling development, in order to secure new hotels that are of strategic importance to the development of the Island's hotel offer, or for the regeneration of specific parts of the Island. This will help to reduce the risk of the investment and, having secured the investment, to demonstrate market potential.

[23] The potential for golf hotels is more likely to be in terms of the development of hotel accommodation (30-50 bedrooms) at existing golf courses rather than the development of major new golf hotels/ resorts (120 bedrooms +).

MEASURES

Measure	Lead Responsibility
a) A Hotel Investment Campaign for the Island, to include: • Participation in the Tourism South East Hotel Investment Campaign; • The preparation and dissemination of hotel investment print and web information in line with the TSE standard format; • Proactive targeting of potentially interested hotel developers and operators; • Familiarisation visits to the Island for hotel developers and operators as a means of opening up a dialogue with them, better understanding their requirements, and presenting potential hotel development opportunities to them; • A single point of contact for hotel development enquiries that can provide hotel developers with the information and contacts that they need; • Regular follow up to hotel investment enquiries; • Press and media work (targeting the property, hotel and catering and leisure press in particular) to improve the image of the Island and raise awareness of it as a hotel development location; full use should be made of the positive associations e.g. Ellen McArthur, Robbie Williams having bought property on the Island etc to present the Island as a 'happening place'; • Using the hook of Cowes (and the hotel developer interest in developing here) as a route to attracting interest here and in other parts of the Island.	IWT
b) Positive planning policies and support for new hotel development, including support for associated enabling development (e.g. residential) that will secure the viability of new hotel projects (see Priority 6).	IWC
c) Possible incentives for new hotel development, such as financial assistance or the provision of land and/or property at low cost.	IWC/ IWEP
d) Creative deal options for hotel investors and operators, including joint ventures, management contracts and leases. Care must be taken when considering such incentives not to distort the hotel market on the Island and/or give new hotels an unfair competitive advantage over existing hotels. Incentives should only be used to attract new types of quality hotels to the Island that will help to attract new markets and extend the season. They should not be used to support the development of new hotels that will merely dilute the market for existing hotels.	IWC/IWEP

PRIORITY 3: DESTINATION MARKETING SUPPORT

RATIONALE

Key priorities for the future development of the Island's hotel sector are to extend the season, attract higher spending hotel customers, and reduce reliance on low-rated national coach holiday business. The Hotel Futures study suggests that these priorities can be addressed through:

- tactical marketing of leisure break offers, themed and special interest breaks, event-related breaks and hotel special events, through the Internet, direct mail and newspaper advertising;
- targeting private and special interest groups and independent coach holiday operators;
- improving the image of the Island as a quality short break destination.

Many small hotels on the Island have limited marketing budgets and often lack the staff resources and marketing skills to adequately address these marketing priorities. Isle of Wight Tourism could thus play a useful role in supporting hotels by co-ordinating such marketing activity on their behalf.

A number of the Island's quality hotels expressed interest in a discrete marketing campaign for the Island's quality hotel offer. This could be beneficial in terms of encouraging other hotels to upgrade.

Many of the Island's hotels are concerned that with the trend towards shorter leisure breaks the relative cost of ferry travel is becoming more significant in terms of the total cost of a break on the Island, with the result that hotels are increasingly losing potential short break bookings. There is a need, therefore, to talk to the ferry operators to see if they are prepared to adjust their pricing structures to reflect this trend towards shorter breaks.

MEASURES

Measure	Lead Responsibility
a) A co-ordinated tactical marketing campaign for off-peak leisure breaks	IWT
b) Awareness raising marketing to improve the image of the Island as a quality short break destination	IWT
c) Co-ordinated direct marketing activity to target private groups, special interest groups and independent coach holiday operators	IWT
d) A discrete marketing campaign for the Island's quality hotels, possibly through the establishment of a marketing consortium of the such hotels	IWT

e) Discussions with the ferry operators about their pricing structures in the light of the findings of the Hotel Futures Study	IWT

PRIORITY 4: DESTINATION DEVELOPMENT

RATIONALE

The wider development and improvement of the Island as a leisure break and special interest destination will be important to support the future upgrading, repositioning and development of the Island's hotel offer and the extension of the season. New facilities and events need to be developed to attract the key target markets for hotels out of season: improvements need to be made to the quality and infrastructure of Island's key resorts; and steps need to be taken to keep resort facilities, attractions, restaurants and shops open for more of the year.

MEASURES

Measure	Lead Responsibility
a) The development of shoulder season and winter events	IWT/ Private and Voluntary Sector
b) Keeping resort facilities open for more of the year	IWC
c) Steps to encourage attractions, shops, cafes and restaurants to open over a longer period during the year	IWT
d) Upgrading of Shanklin, Sandown and Ryde seafronts	IWC
e) The development of facilities to attract the emptynester and retired market out of season e.g. indoor bowling centres, ballrooms, spa facilities, golf centres	IWC/ Private Sector
f) The development of adventure and water sports to attract DINKs and SINKs and the corporate activity, team building and incentive markets	IWC/ Private Sector
g) The development and improvement of wet weather facilities and attractions for children	IWC/ Private Sector

PRIORITY 5: BUSINESS SUPPORT AND TRAINING FOR HOTELS

RATIONALE

The Hotel Futures Study suggests that while the Island's hoteliers generally show little interest in business support and training, many of them could potentially benefit from support and advice in terms of:

- Developing their forward business strategies;
- Making the case for finance for upgrading and development projects;
- Improving their marketing.
- Considering future options other than change of use.

The low levels of interest in business support suggest that such support will need to be introduced to hotels in a subtle way. The promotion of business support programmes to hotels may meet with limited take up. The priority will be to try to engage effectively with hoteliers initially, with a view to gradually introducing support and training as they identify their needs.

The Hotel Futures Study also showed little interest from the Island's hoteliers in staff training programmes. Many indicated that they handle staff training themselves, without the need to send staff on training courses or bring in external trainers. This suggests that the priority should be some form of 'train the trainer' programme and support to improve the quality of in-house training that hotels provide.

MEASURES

Measure	Lead Responsibility
a) The establishment of a Hotel Consultancy Service for the Island's hotels to: • Assist existing hotels in assessing their future options, developing their forward business strategies, and making applications for finance to support upgrading and development projects. • Provide a source of expertise for the Council's Planning Department in terms of their consideration of change of use applications for hotels. • Support new entrants to the Island's hotel sector.	IWT/ Business Link
b) Preparation of case studies and models of best practice in relation to: • The repositioning and upgrading of hotels on the Island; • The marketing of hotels to attract new markets and extend the season.	IWT/TSE
c) A 'Hotel Business Mentoring' programme, whereby leading hoteliers on the Island are encouraged to mentor and support	IWT/TSE

other hotels	
d) Marketing advice and training for the Island's hoteliers, particularly in relation to Internet and direct marketing.	IWT/TSE
e) Initiatives to encourage hotels to improve their food offer	IWT
f) A 'Train the Trainer' training and support programme for the Island's hotels	IWT/TSE
g) Initiatives to assist hotels in targeting new markets e.g. walkers and cyclists	IWT
h) Ongoing work to encourage hotels to participate in the national serviced accommodation rating scheme	IWT

PRIORITY 6: HOTEL DEVELOPMENT AND RETENTION POLICIES

RATIONALE

The Hotel Futures Study identifies:

- Opportunities for the upgrading, redevelopment and possible expansion of existing hotels;
- Potential for the development of new hotels;
- Possible requirements for associated enabling development (e.g. residential) to ensure viable hotel development or redevelopment projects that give investors and adequate return on investment;
- A need to reduce the stock of hotel accommodation in Shanklin and Sandown.

Clear and robust planning policies and procedures are thus needed to effectively manage such hotel development and loss of hotel stock, and to create maximum benefit to the destination.

MEASURES

Measure	Lead Responsibility
a) The development of robust core policies for hotels in the Local Development Framework, to be further developed in Area Action Plans and supported by Supplementary Planning Guidance, covering: • Hotel retention; • The redevelopment and extension of existing hotels; • New hotel development (including the allocation of sites for new hotel development where market potential is identified); • Enabling associated development for existing and new hotels. Detailed guidance on the development of such policies is given in Section 5 of the Hotel Futures Study	IWC

b) Proactive management of the loss of hotels, particularly in Shanklin and Sandown to include: • The establishment of clear criteria and a formalised process for considering applications for change of use for hotels; • Detailed examination of designated hotel zones and clusters and the 10 room rule and their validity in managing the loss of stock in each area; • The use of the Hotel Consultancy Service (proposed under Priority 5) to work with hotels that are considering closure to review all possible options for these hotels and make objective recommendations to the Planning Department; • The use of independent professional advisers (e.g. hotel property agents, hotel consultancies) to provide expert opinion on change of use cases; • The possible use of 'Exit Tariffs' for hotels that wish to close, with the money raised to be used to support resort infrastructure improvements; • The control of development resulting from change of use permissions, in terms of the quality of resulting accommodation, building quality, the prevention of permanent and multiple occupation; • Production of Supplementary Planning Guidance to clearly set out these criteria and conditions. The use of such measures to manage hotel loss is discussed in more detail in Section 5 of the Hotel Futures Study	IWC
c) Additional research to support the managed loss and retention of hotels, including: • Research into the self-catering market and the need for additional supply, by location and standard; • Research into business models to provide benchmark data against which to assess trading information supporting change of use applications.	IWC
d) Participation in Tourism South East's best practice working group to develop retention policies, Supplementary Planning Guidance and tools to support policy implementation and application assessment.	Iwc/TSE

7.5. PUTTING THE STRATEGY INTO ACTION

7.5.1. Disseminating the Strategy

The first step in putting the Strategy into action will be to ensure that it is widely circulated to all interested parties. The Strategy has implications for the work of a number of Council departments and other bodies on the Island and in the South East. It will be vital to ensure that the Strategy is effectively shared with all concerned. This should include:

- Isle of Wight Tourism
- Isle of Wight Council Planning Policy, Development Control, Economic Development, Estates, Highways, Conservation;
- IWEP;
- TSE;
- SEEDA;
- SEERA.

There would also be merit in holding a **Hotel Investment Seminar** for all interested parties, to discuss the Strategy and to try to generate ownership of its findings and recommendations. Achieving a shared understanding of the hotel development opportunities and priorities for the Island, and the actions, policies and public sector support that are required to realise these opportunities, will be key to moving the Strategy forwards.

7.5.2. Establishing an Achievable Work Programme

The Strategy sets out a wide range of measures. Realistically, the staff resources and budgets are unlikely to be available to progress all of these measures at once. A first step in the process of taking the Strategy forward will thus be to determine which measures can realistically be taken forward immediately, and those for which additional funding and staff resources will need to be found. As a priority, therefore, it will be necessary to consider and discuss with potential funding and implementation partners:

- Which measures can be progressed within existing resources;
- The extent to which existing work programmes can be modified to take on board measures in the Strategy e.g. the marketing, business support and training measures
- The potential to secure additional funding and partner support for measures in the Strategy.

The results of these investigations will shape the work programme that can realistically be progressed to take the Strategy forward.

7.5.3. Securing Budgets, Staff Resources and Funding

Having established a realistic work programme, the next step will be to allocate budget and staff resources, submit funding applications for projects, and develop policy support. Potential sources of budget, staff resources, funding and policy development support are as follows:

- Isle of Wight Tourism
- Isle of Wight Council
- IWEP
- TSE
- SEEDA
- SEERA
- Business Link (for business support measures)

It could also be worth approaching the following bodies for some projects e.g. the production of case study materials and best practice models (possibly for wider national application), and the development of nationally applicable policy guidance:

- British Resorts Association
- British Hospitality Association
- VisitBritain
- DCMS
- ODPM
- LGA

The most difficult funding to secure will be the funding for the Hotel Grants Scheme. The only obvious potential source of funding is SEEDA. There may be scope to make a special case for SEEDA funding for the Hotel Grants Scheme, on the basis of the clear need that the Hotel Futures Study has identified for financial assistance to accelerate the much needed investment in the Island's hotels. Sources of European funding – particularly INTERREG - might also be worth investigating.

It may also be worth further considering the role of Island Renaissance in this context, as a potential source of funding for the Hotel Grants Scheme, but also as an enabling body that could help incentivise investment.

7.5.4. Assigning Roles and Responsibilities

Once the work programme is clearly established, and budgets and funding have been secured, roles and responsibilities will need to be assigned to individuals to take forward specific projects. It is envisaged that some of the projects will be absorbed into the work programmes of IWT's Quality Assurance Officer and Marketing Team, and the work of IWC's Planning Policy Team. Specific roles and responsibilities that may need to be assigned additionally include deciding who will lead on:

- Overseeing and co-ordinating the implementation of the Strategy;
- Disseminating the key positive messages of the Strategy to the Island's hotel industry;
- The production of case study and best practice materials;

- Securing funding for the Hotel Grants Scheme;
- The Hotel Investment Campaign;
- Providing a single point of contact for hotel investment enquiries;
- Establishing and managing the Hotel Consultancy Service;
- Undertaking and commissioning monitoring research.

7.5.5. Ensuring Co-ordination

It is likely that a number of individuals from different Council departments and other bodies – including SEEDA, IWEP, TSE and Business Link - will have a role to play in taking the Strategy forward. It will be important that the actions and work programmes all of these people and bodies are well co-ordinated.

It may well be that existing networks and membership of bodies such as IWEP can fulfil this role, but if not, there may be a need to establish a **Hotel Development Co-ordinating Group**. The responsibility for chairing this group and for providing the secretariat for its meetings will need to be determined. Without such a group there is a danger that there will be insufficient focus on the sector to drive the required initiatives forward.

7.5.6. Monitoring Progress

It will be important to closely monitor the impact of the Strategy as it is implemented. This will require the setting of targets for each project in the work programme and then monitoring and reporting progress against these targets.

It will also be important to monitor changes in the Island's hotel stock in terms of:

- The upgrading and repositioning of hotels;
- The expansion, development and downsizing of hotels;
- New hotel openings;
- Hotel closures.

IWT's 2004 accommodation audit (partially updated by the Hotel Futures Study) provides a baseline for monitoring changes in the Island's hotel stock. A system will need to be put in place for continuously updating this audit. The audit may also need to be revised to provide a new baseline once the new national serviced accommodation rating scheme is fully implemented, as this will make a much clearer distinction between hotels and guest accommodation.

It will also be necessary to monitor changes in hotel performance on the Island. TSE's serviced accommodation occupancy survey provides a means of monitoring changes in occupancy levels. The sample of participating hotels needs to be boosted, however, to ensure that the survey is truly representative of the Island's hotel sector. The TSE survey does not provide any insight into changes in achieved room rates, market trends and levels of denied business. It is recommended that a more in depth Hotel Trends Survey is thus periodically undertaken (along the lines of the hotel performance research undertaken for the Hotel Futures Study), possibly every second or third year.

APPENDICES

APPENDIX 1

SAMPLE OF HOTELS

Hotel	Location
3/4 Star	
The Royal	Ventnor
Wellington	Ventnor
Ventnor Towers	Ventnor
Eversley	Ventnor
Priory Bay	Seaview
Seaview	Seaview
Bembridge Coast	Bembridge
Melville Hall	Sandown
Luccombe Hall	Shanklin
Bourne Hall	Shanklin
Shanklin Manor	Shanklin
Keats Green	Shanklin
New Holmwood	Cowes
Fountain*	Cowes
Ryde Castle*	Ryde
Sentry Mead	Totland Bay
2 Star	
St Maur	Ventnor
Melbourne Ardenlea	Shanklin
Chine Court	Shanklin
Villa Mentone	Shanklin
Mayfair*	Shanklin
Sherwood Court*	Shanklin
Auckland	Shanklin
Shanklin Beach*	Shanklin
Shanklin	Shanklin
Ocean View*	Shanklin
Medehamstede*	Shanklin
Seaways	Shanklin
Harrow Lodge	Shanklin
Meyrick Cliffs	Shanklin
Trouville	Sandown
Montrene	Sandown
Riviera	Sandown
Burlington	Sandown
Marina Bay	Sandown
Cygnet	Sandown
Grand*	Sandown
Sands	Sandown
Channel View	Sandown
Springvale	Seaview
Sandpipers	Freshwater

4/5 Diamond	
Hermitage	Ventnor
Lake	Ventnor
Leconfield	Ventnor
Foxhills	Shanklin
Havelock	Shanklin
Hambledon	Shanklin
Edgecliffe	Shanklin
Chestnuts	Shanklin
Westfield	Sandown
The Lawns	Sandown
St Catherine's	Sandown
St Michaels	Sandown
Sandhill	Sandown
Country Garden	Totland Bay
3 Diamond	
Heatherleigh	Shanklin
Esplanade*	Shanklin
Cedar Lodge	Shanklin
Braemar	Shanklin
Courtlands	Shanklin
Swiss Cottage	Shanklin
Burlington	Shanklin
Chester Lodge	Sandown
Shangri-La	Sandown
Grange Hall	Sandown
Culver Lodge	Sandown
Carisbrooke House	Sandown
Rawlings*	Cowes
Dorset	Ryde

***** = Not inspected

APPENDIX 2

ISLE OF WIGHT HOTEL SECTOR REVIEW – COACH HOLIDAY AND GROUP TRAVEL RESEARCH

As part of the Isle of Wight Hotel sector Review we have looked at existing industry research and trends in the coach holiday and group travel market, and undertaken a series of detailed telephone discussions with a selection of coach operators who sell overnight trips to the Isle of Wight. The findings of these exercises are summarised below.

1. NATIONAL COACH HOLIDAY AND GROUP TRAVEL RESEARCH

A report undertaken by Mintel and published in January 2005 indicates some national trends in coach business of relevance to the Isle of Wight.

Some if its findings are encouraging about the future prospects for coach travel to the island:

- 15% of respondents to the Mintel survey who have previously not been on a coach holiday would consider going on one (5% of these on a fly-coach tour). This includes people with and without families, over 45 and under 64 with high disposable incomes.

- Private groups are a major opportunity for coach operators. The sector is set to expand over the next 5 years. These groups prefer discounted customised packages focusing on adventures, hobbies, educational and sporting interests and tend to travel in groups of between 5 and 10 people.

- One of the main attractions is the opportunity to travel with like-minded people, encouraging social interaction. The abolition of single supplements is key in this area. Travelsphere and Cosmos have launched special singles tours.

- The range of themed coach breaks is now substantial with tours designed for wine buffs, music fans, gardeners and photography enthusiasts for example. Discounts and help with itinerary planning are two ways in which the industry can attract the group market.

- For incoming coach business, France and Germany are the largest markets, but the growing markets are from Central and Eastern Europe. The markets identified as offering the greatest growth potential for the next 5 years are China, Korea, Poland and Russia.

However, there are some trends and changes in the marketplace that are likely to put the coach market under increasing pressure:

- Increasing fuel costs are likely to lead to increased costs of coach travel in the short and medium term.

- The introduction of the Working Time Directive will prescribe maximum limits on driving time and minimum limits for breaks and rest periods, which may lead to increased staffing costs that will impact on costs of tours.

- The prime target group for domestic inclusive coach travel is healthier and more affluent and will be increasingly likely to consider overseas destinations. Since 1999 there has been a decline of 19%. Any growth will be dependent on increased marketing efforts and sustained product re-positioning to appeal to a higher proportion of the over 55s.

- Mintel predicts a slowdown in 2005 as the UK domestic coach market has been largely static over the past few years and will increasingly be in competition with other domestic and overseas holiday types.

- The cultural renaissance of British Cities has meant that they now offer a strong alternative to the traditional leisure tourism destinations and resorts. Special interest and tours linked to events are also becoming increasingly popular.

- There is an increase in the number of people who are not at all interested in coach travel, and this level has increased sharply in the last 2 years

Some general points:

- It is estimated that only 2-6% of coach holidays are booked on line.

- Domestic coach holidaymakers are more likely to be female, over 55 and in the lower socio-economic group.

- Those from Wales, the West and the South West seem most likely to take an inclusive coach holiday within the UK, as they do not have so many choices in terms of airport or ferry access.

The coach industry has seen some recent consolidation amongst operators. Shearings and Wallace Arnold have merged to become WA Shearings and National Holidays is also owned by the same holding company. During the period of this study Carlisle-based Redcrest Holidays and Supreme Travel based in Hadleigh, Essex have ceased trading, indicating competition from budget airlines as a reason for their loss of business.

A poll of 1,000 people undertaken on behalf of Budget Airline Flybe in July 2005 revealed that 13% of people have now visited 20 or more countries in their lifetime – double the number from five years ago. One in six people have been on an activity holiday, a rise of 50% on five years ago and one in 10 have taken a ‘party holiday’ in the past year.

The research also showed that rather than saving up for a single holiday, 64% of people mix value and luxury holidays. Only one in six return to the same destination again and again, while 24% believe there are now so many places to see to ever justify going to the same place twice. Two thirds still like to bundle all their costs into a package for their main annual holiday and 16% choose to return to a familiar place.

2. COACH OPERATOR CONSULTATIONS

The following companies were contacted by telephone and asked a series of questions regarding their views on the hotels that they used for coach and group business on the island:

- Alfa Travel
- Hardings (also representing Warner Holidays)
- PW Jones Tours
- Crusader Holidays
- Bell Coaches
- Buckley's Coaches
- Isle of Wight Tours

Discussions were also held with Red Funnel and Wightlink Ferry companies.

All of these companies are currently running tours to the Isle of Wight from other parts of the UK. (We were not able to identify any overseas groups that were staying overnight on the island.) The number of passengers that they carry each year varied considerably, from between 3 and 5 groups of 45 a year from Bell Coaches, Hardings and PW Jones, to 10,000 passengers a year travelling with Isle of Wight Tours, and 15,000 with National Holidays.

A wide range of hotels was used by all the operators, with the Channel View and Shanklin Hotel being mentioned particularly frequently. Others that were mentioned included:

- Ocean View
- Royal Pier
- Savoy
- Shanklin Beach
- Melbourne Ardenlea
- Mayfair
- Friends
- Marlborough
- Aqua
- Norton Grange
- Bembridge Coast

Quality of Hotels

All of the operators were very happy with the quality of the hotels that they were using, and had positive feedback from their clients. The Mayfair was mentioned as an example of a hotel that had become rather tatty, but had recently been refurbished and was now very good. All of the operators had been bringing groups to the same hotel for many years; Hardings Travel, for example, had been using the Shanklin Hotel for fifteen years and were very pleased with it. There was no indication at all that the operators were seeking different hotels of different standards to those that they were using. Bell Coaches expressed the view that hotels have to be loyal to the business that they are getting. Putting up prices, even if it is matched with improved quality, risks alienating existing customers. The general impression was that there was not a shortage of good hotels that were large enough to cater for coach groups, so increasing the number of quality hotels may exceed demand.

Rates

All operators were asked if they would supply details of rates that they currently paid or would be prepared to pay for accommodation on the island. Amongst some operators there was a reluctance to share this information, but the information that was forthcoming suggested that the highest rates were paid by the smallest operators, varying between £25 and £40 for dinner, bed and breakfast for a shared twin, depending on the season. (Winter, Spring and Autumn Breaks were negotiated at the lower rate). The largest operators were paying from £21 in the winter season, to £28 in the peak summer season. No rates were disclosed by Isle of Wight Tours, but the impression was that they negotiated very low rates that they preferred to keep confidential.

When they were questioned on the flexibility of these prices and whether they would be prepared to pay more for a higher quality, the response from all operators was that there was a ‘ceiling’ on what clients were prepared to pay. Some of the smaller operators were charging £500 per person for a 6-night break, but National Holidays for example were offering a 7-night break for £269 per person, including all travel, excursions and entertainment. From this price, the hotel element could only be around £100 in order to allow for all the coach costs, crossings, marketing, reservations etc. Warner Breaks at the Norton Grange Resort were advertised at between £32 and £35 per person per night in Group Leisure Magazine, as a rate available for clubs and societies to book. Clubs and societies do not need to spend money on advertising to attract their business, so do not need to negotiate such low rates to make their tours viable.

Isle of Wight Tours specialise in travel for groups, (rather than selling individual seats on a coach). Their main markets are ‘affinity groups’ such as British Legion, Working Men’s Clubs, Age Concern groups etc. These groups will only book tours if the price is low enough. The priority, according to Isle of Wight Tours, is for the hotels to know their customers and meet their particular needs, within an affordable tariff.
Those larger operators felt that although they negotiated quite low rates with the hotels, the hotels were pleased to have the guaranteed bookings and simple administration of taking a series of groups rather than lots of individual bookings.

The level of rates charged by the Ferry companies was mentioned by several of the coach operators as being crucial to the viability of the coach holidays. If these were to rise it could make the Isle of Wight too expensive compared to other destinations, and the number of groups would fall.

Trends in Business

All of the operators who were consulted claimed that their numbers were at similar levels to previous years and they did not foresee any downturn. The one exception was Hardings travel that felt that they were having a very quiet year for all bookings because of the expansion of flights from nearby John Lennon Airport (It may be relevant that other small operators were not located in close proximity to a recently expanding airport).

Red Funnel had seen the traditional coach business decline slightly over recent years, and there was no growth predicted, although it was forecast to continue to be very important for the coming 20 years. However, there had been an increase in smaller groups taking special interests tours on themes such as gardens etc. These were very small in quantity compared to the traditional holidays however.

All of the operators felt that the Isle of Wight was one of the easiest tours to sell, and was always popular, with high levels of repeat business.

The question of changing customer needs in terms of hotel quality was raised with all the operators. The unanimous view was that although customer expectations had risen over the last twenty years, it was for things such as en-suite bathrooms and tea & coffee in the rooms.

Looking to the future, one operator expressed some concern that those people currently in their mid-fifties were very used to flying abroad for holidays, and were therefore unlikely to start taking coach holidays as they got older as previous generations had done. Buckley's Coaches also felt that there was a risk that people who are now in their 50's will not be seeking coach holidays when they are in their 60's as has happened over the last 30 years. PW Jones Tours however, felt that their market was growing as the population was aging. National Holidays said that there were a core group of people who did not like flying, and were prepared to travel by coach for three days to the Rhine Valley for example, rather than take a flight. They did not foresee that this was a decreasing proportion of the population, but rather that it remained fairly constant.

The other attraction of coach holidays was that it was an opportunity to meet like-minded people and have a more sociable holiday than a budget airline would offer. The increase in single households was mentioned as a reason for coach holidays remaining popular as they offered opportunities for single people to holiday in sociable circumstances. The issue of single supplements was one that the industry was tackling.

The average age of those travelling with National Holidays was 55. Midweek breaks tended to have an older age profile than the weekend breaks which attracted younger people. All operators said that the majority of their passengers were over 50, with the exception of Warner Holidays who attract a younger market who prefer not to drive.

Other General Comments

None of the operators felt that there was a problem with the quantity or quality of hotels on the island, although they could understand that some hoteliers would prefer to sell their hotels with planning permission for change of use.

A number mentioned that there was a shortage of quality, reasonable cost self-catering accommodation on the island (although this was a personal impression rather than a business issue for them).

Ventnor was praised for recent environmental improvements, although there was still scope for further improvements to the infrastructure, including more parking.

There was praise from one operator for the Hambledon Hotel, which has improved its quality and targeted walkers in particular. This type of specialist market focused development was felt to be a necessary way forward for the island's hotel stock.

A similar approach to the marketing of the whole island was suggested by the representative from Red Funnel, who identified the need to differentiate the various resorts on the island according to market segments. Shanklin and Ventnor for short break romantic and activity breaks, with Spa hotels etc, with Sandown for the traditional coach market. It was perceived that at present the island is having to protect its very large, but declining, traditional budget coach holiday market, while developing the younger, higher spending short break market at the same time. There was a need for 'boutique' hotels offering 'experiences' such as paragliding, health treatments etc. but these visitors would tend to travel either as couples or as small groups of friends.

CONCLUSIONS

- The coach holiday and groups market will remain a key market for many Isle of Wight hotels for a long time to come. It delivers high volumes of business for many of the Island's larger hotels and has a key role to play in extending the season and enabling hotels to remain open throughout the winter.

- There may be some decline in the coach holiday market for the Island as a result of a shift in demand towards independent holidays, and increased competition from overseas and other UK destinations. Set against this, the general ageing of the UK population, and the appeal of coach holidays for those that are looking for a social holiday option or who do not wish to fly or drive, suggest a continuing strong market for coach holidays on the Island.

- The coach holiday and groups market will remain highly price-sensitive, with limited scope to increase rates, even for higher quality hotel facilities and service.

- There is potential to attract higher rates from smaller independent coach holiday operators, and particularly private groups and special interest groups. These are smaller markets, however, and involved significantly increased marketing effort as hotels need to deal with many more operators and group organisers than if they just deal with one or two national coach holiday operators. It is unlikely that all hotels will be able to switch to these markets, away from national coach holiday operators.

APPENDIX 3

ISLE OF WIGHT – DETAILED SITE ASSESSMENTS
Potential Hotel Sites & Proposals

LOCATION	SITE DETAILS	VIEW OF SITE
COWES		
Cowes – historic building, location unknown	IWEP interest from developer looking to develop a pod style hotel concept in Cowes, like cabins; plus bar and Loch Fyne style restaurant	Location unknown, unable to give a view
Cowes Yacht Haven	Talk of a hotel here in the past (new build), but need site to store boats over winter – if this is lost people will moor elsewhere, Now developing an events centre in converted sheds.	Excellent site but no longer an option
Medina Yachting Village	On Cowes side of the river stretching down from chain link ferry to UKSA. Proposal for hotel and housing and employment/industrial. Contentious in planning terms.	Aspect not as good here looking towards E Cowes – looking over to Cowes a better view. Access issues? Sloping.
East Cowes	Trinity House car park – budget hotel or upper tier budget – maritime theme, not a standard lodge concept	Heavy reliance on leisure market here and events, though marine industries located further down the valley. Strategic, visible location for ferry traffic. Disadvantage is physical separation from Cowes itself and all it has to offer in terms of shops, bars, restaurants.
	2nd site being promoted by SEEDA – Victorian barracks, higher quality hotel looking to Cowes Yacht Haven and across the Solent	Well-located site looking across to the yacht haven and Cowes, attractive views. Will benefit from surrounding development. However, business tourism even more of an issue for high quality hotel to get desired rates and year round business.

Osborne House	Wing of the house and convalescence hospital. Will need Parliamentary approval for this to be used/developed as it is a royal residence. Potential for 20-50 rooms and associated facilities – very high quality – luxury/boutique hotel, potential for health spa, own beach, golf course.	A unique opportunity to create a luxury destination hotel, with the added advantage of proximity to Cowes. Will draw a new market to the Island.
Northwood House	Listed building and grounds left in trust to the island and managed by the Council; in need of major investment; substantial grounds. Past interest from a hotel investor but local opposition to change of use from offices and to any loss of public access.	Well-located site on the outskirts of Cowes with good access and potential. Local objections difficult to overcome and unlikely to materialise as a hotel site.
New Holmwood	Just out of the heart of Cowes on the seafront	Good location away from congested heart of Cowes but close enough to access these facilities. Potential to reposition as a boutique?
Saro Site	Site of flying boat company, further inland along the river. Opposite Parkhurst. Was some interest from hotel companies at past MIPIM event.	Problems with access. Too remote.
NEWPORT		
Newport Harbour – Vectas Building	Site adjacent to the Travel Inn. Recently marketed.	Logical site for Whitbread to extend existing Travel Inn – more rooms without investment in pub restaurant.
Newport Harbour – Blackhouse Quay	Site opposite Travel Inn	Potentially a good site with associated investment, though a little further out of the town; continuation of the quayside regeneration that includes pubs, bars, restaurants and arts.
Sea Street	Car park adjacent to County Hall.	Strong site close to the town centre with visibility and access from the main through route.
Town Centre	Local developer/investor with site for budget hotel development.	Travelodge known to be keen to pursue this site.

RYDE		
Arena	Site adjacent to Planet Ice for development of 55 rooms – unclear whether aspiration is for budget, upper tier budget or 3 star. Planet Ice known to have approached numerous hotel companies, still being considered by them.	Very central to Ryde seafront and access/parking good. Potential for sea views. Could the ice rink be a noisy neighbour? Nature of existing building means a long thin extension, not particularly attractive. Will this site be part of an Area Action Plan for Ryde that might look at a slightly different role for the town and other seafront initiatives that this should be considered alongside?
Wootton Bridge	Lakeside site with some unusual buildings boarded up. Planning difficulties.	Limited need for new build hotel development on the Island. Doubt this is the best location. Better to focus on key destinations with surrounding infrastructure.
SHANKLIN		
Shanklin Esplanade/ Sandown High St	Aspiration for a boutique hotel – in Arup regeneration strategy	Could this be met by the Trubshaw site at Sandown Esplanade?
Spa Site Car Park	Mixed use development – predominantly hotel, 4 star, spa and associated conference, health and fitness	Seafront location but lacks quality environment currently that would be needed for a 4 star offer. Question market potential – indigenous investor interest? Management contract if enable development.

SANDOWN		
Pier And Espanade – Trubshaw Site	Contemporary town house style hotel	Exact site area unclear; would need a quality public realm and other matching restaurant and bar offers surrounding it. Question market potential in Sandown.
Yaverland/ Culver Parade	Aparthotel idea adjacent to Tiger Centre; combine with restaurants, residential apartments also?	Good location relative to attractions and proposed attraction development in the Bay, though some distance from the main resort core – dependent upon market potential and target markets; Possible 'Big Blue' (Blackpool Pleasure Beach) type hotel aimed at families with suites, DVD, Playstation, Sky. May fit requirements of extreme sports market.
Carlton Hotel	Owner proposal to knock down and build new hotel to modern standards.	
FRESHWATER BAY		
Albion Hotel	Recent investment in the hotel and rooms	Excellent location on seafront – has it gone far enough? Could continue re-positioning to better quality offer, with associated public realm improvements here.
RURAL AREA		
Swainston Manor	Country house hotel near Calborne	Lovely building and setting, needing investment. Potential for quality country house hotel for weddings, pampering, celebration breaks, corporate hospitality.

APPENDIX 4

DETAILED DEVELOPER RESPONSES
ISLE OF WIGHT

COMPANY	LIKELY HOTEL DEVELOPER/OPERATOR INTEREST IN THE ISLE OF WIGHT
4 STAR	
BDL/HOLIDAY INN	Can't think who would do this other than in management contract terms. Too much risk; too seasonal; no office/business base; rate issue. Indigenous investor the best bet.
MARSTON	Some knowledge of the island as a friend has a hotel here and he sails, so knew Osborne House and Cowes/East Cowes. Would be prepared to take a look at both schemes – interest would be very deal dependent and would need more information on market potential to take an informed view. Limited business demand and seasonality are the main concerns.
MARRIOTT	No response to date
COUNTRY HOUSE/RESORT/ GOLF	
EXCLUSIVE	Not interested.
MACDONALD	No response to date.
MARSTON	See 4 star response
WARNER/ BOURNE	No response to date
SIMON MATTHEWS-WILLIAMS	Not interested initially, but prepared to take a look if the evidence is there that the island has potential – all down to the deal that could be done. Preference is for a country house hotel with full leisure club and some residential development – this is preferred product currently being developed in Bristol. Have developed other products elsewhere including Holiday Inn franchises.

3 STAR/ UPPER TIER BUDGET	
BDL	Don't know it – had recently been sent a site by Planet Ice and was heading off to look at it – questioned by Chairman and CX. Core population small – cant rely on tourism and events, too high risk. Need strong office/business base – this is their bread and butter for all hotels. Seasonality a real problem. Prepared to take a look at Cowes, Newport and Ryde if the study shows potential – issue is then probably to do with scale of hotel – don't usually deliver less than 80 rooms.
DE VERE	Wouldn't consider the Island for a Village Hotel – population size means it lacks the critical mass required for the leisure club membership, and insufficient corporate business.
GOLDEN TULIP	Looked at Cowes Yacht Haven (near Red Funnel passenger terminal in Cowes) last year with Jo Manser; couldn't make 120 rooms stack up – maximum 80. TRI report came back with such poor occupancies in Nov-Mar period – 16% in January. Is a fair bit of commercial activity here but seasonality and level of risk too great for a new company like theirs, when there are sure fire sites elsewhere. Felt It will happen for the island, probably in 5 years time. Preferred Cowes to Newport and Ryde. Also looked at Wootton Bridge.
CENDANT	Had just received a call about the Isle of Wight from a business colleague who was going to look at an existing hotel for sale on the island, with potential for re-positioning. Have also had the Ryde Planet Ice site put to them recently. Have no knowledge of the island or market conditions here. Interested to hear of SEEDA scheme in East Cowes. Would be prepared to look at opportunities and evaluate them further.
HARRELL HOSPITALITY	Would like to take a closer look at the island – have little knowledge other than Cowes week. Unsure what brand would be most appropriate – possible an aparthotel extended stay product; they are speaking with Marriott about bringing the Residence Inn brand to the UK. Interested to visit and discuss options and deals; asked about incentives or ways of facilitating development. Has a sister company that buys off the plan apartments and has a £300 million pipeline already acquired. Will look at JVs with them.

BOUTIQUE	
ALIAS	Have had an involvement in Osborne House – English Heritage invited them to take a look about a year ago and they gave them a lot of advice and their thoughts on what would work here; also got architects involved. Also had English Heritage up at Ickworth to see what had been done here. All gone quiet since then. Would still look at this. Very deal dependent. Good location as Cowes is close, you can walk to the beach, and there is a golf course, so on site it has a lot going for it, plus a strong resonance of Victoria and Albert's life here together. The economics are tricky – at one time costs of £24 million being discussed for 40 bedrooms (Ickworth investment was £4 million). Not difficult to convert. See the island as short breaks plus some long holidays in the summer/school holidays. Easy to get to. Would be prepared to look at Cowes for an Alias – and have done so in the past. Looked at the Yacht Haven site. Low season a challenge. Occupancy wouldn't be as sparkling as a provincial city; feast and famine. Would be prepared to take a look at East Cowes and the SEEDA scheme – again depends on the deal. Have done marina-type developments with a development partner – Parkridge, did Brighton with them.
BUDGET	
TRAVELODGE	Have a requirement in Newport for around 60-70 rooms. Like the Sea Street site bit not Blackhouse Quays – industrial site to residential. Would probably look at Ryde and Cowes but not for another 12 months – once Newport requirement met. Have a site with a private investor in Newport that will probably come on stream before Sea Street (central site – Les Pink been to see Nigel Smith; will build and act as investor).
PREMIER TRAVEL INN	Existing Travel Inn trades very well all year around – looking to extend this. Have expressed interest in the Ryde Planet Ice site, and would also be prepared to look at Cowes/East Cowes.

COACHING HOTELS	
GRAND UK	The company is very keen to buy a hotel on the Island. They were in negotiations to buy the Trouville, but the hotel has subsequently been taken off the market. Have looked at the Riviera and Sherwood, but were put off by the lack of a lift at the Riviera and the poor condition of the Sherwood. They are only interested in a hotel that they would not have to spend too much money on. They would not be interested in a very run down hotel
QUALITY PUB ROOMS	
GREENE KING	Greene King operates the Old English Inn chain of pub/hotels, but also has a number of other pubs with quality rooms that don't fall within the Old English brand. They have the Ryde Castle at Ryde and the Fountain at Cowes, plus some pubs on the Island. These properties all trade very well, and their Property Director felt that the Island had turned a corner and was showing signs of attracting a more affluent market that could only be good for future business. They may consider other property/investment on the Island if a suitable opportunity came up, although they are not actively seeking additional representation here.
LOCAL INVESTORS	
LES PINK	Mr Pink owns the Carlton Hotel in Sandown but also has other interests on the Island and on the mainland. He has developed two hotels with Travelodge on the South Coast where he is the owner and investor and the property is leased to and operated by Travelodge. He has a central site in Newport near the Magistrates Court for which he is about to submit a planning application for a 70 room hotel for Travelodge under the same arrangement. He is also close to a similar deal though yet unconfirmed at Ryde. He and his son James Pink are also looking into the potential for hotel development at East Cowes.
MATTHEW PARKER	Developing a boutique hotel in Ryde.

APPENDIX 5

HOTEL DEVELOPER AND OPERATOR CONTACTS

HOTEL COMPANY NAME	CONTACT/POSITION	ADDRESS/TELEPHONE
Alias LHM Boutique hotels Luxury Family Hotels	Nigel Chapman Finance Director 07710 504804 e. nigel.chapman@lhmplc.com	Alias LHM 103 Farrendell Road Emerald Park Bristol BS16 7FF
BDL Crowne Plaza Holiday Inn Express by Holiday Inn Ramada Encore Staybridge Suites	Steve Terry Development Director t. 07931 901 728 e. steve.terry@bdlhotels.co.uk	B D L Hotels Ltd Holiday Inn Heathrow Sipson Way Bath Rd West Drayton Middlesex UB7 0EA
Cendant Days Hotel Days Inn Days Apartments Ramada Encore Ramada International	Lee Syrett Head of Franchise Services t. 020 8762 6617 e. lee.syrett@cendanteurope.com	Cendant Hotels Landmark House Hammersmith Bridge Road London W6 9EJ
Grand UK	Andrew Peck Hotel Group Operations Manager	
Greene King Old English Inns	Donald Stevenson Director of Property t. 01284 763222 m. 07974 123321 e. donaldstevenson@greeneking.co.uk	Westgate Brewery Bury St Edmunds Suffolk IP33 1QT
Harrell Hospitality Courtyard Ramada Encore Residence Inn	Paul Harris Director Business Development t. 0207 932 0188 e. pharris@harrellhospitality.com	Harrell Hospitality 35 Buckingham Gate St James London SW1E 6PA
Marston 4 star Conference Hotels	Chris Scragg t. 01303 269900 e. ula@marstonhotels.com	Marston Hotels The Mews Princes Parade Hythe Kent CT21 6AQ

SIMON MATTHEWS-WILLIAMS Country House and Destination Hotels	t. 0151 236 1470 e. jools.hicks@ukonline.co.uk	26 Exchange Street Liverpool
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Whitbread Premier Travel Inn	Deborah Parker Director of Property t. 01582 499586 e. deborah.parker@whitbread.com Miles Reynolds (Premier Travel Inn South) m. 07884 113414 e. miles.Reynolds@whitbread.com Jamie Cowan (restaurant-led rooms) m. 07831 622417	Whitbread Hotels Oakley House Oakley Road Luton LU4 0QH 01582 499358 01583 499219
Local Developer Interest	Les Pink m. 07831 326116	Carlton Hotel The Esplanade Sandown Isle of Wight
	Matthew Parker m. 07970 317205	76 Union Street Ryde Isle of Wight