

UK Rural - October 2023

Q
SPOTLIGHT
Savills Research

Rural tourism and leisure



Revenue streams • Creating visitor experiences • Case studies

51%

of farmers earned some form of non-farming income in 2022

42%

of farms are unprofitable without Basic Payment Scheme support

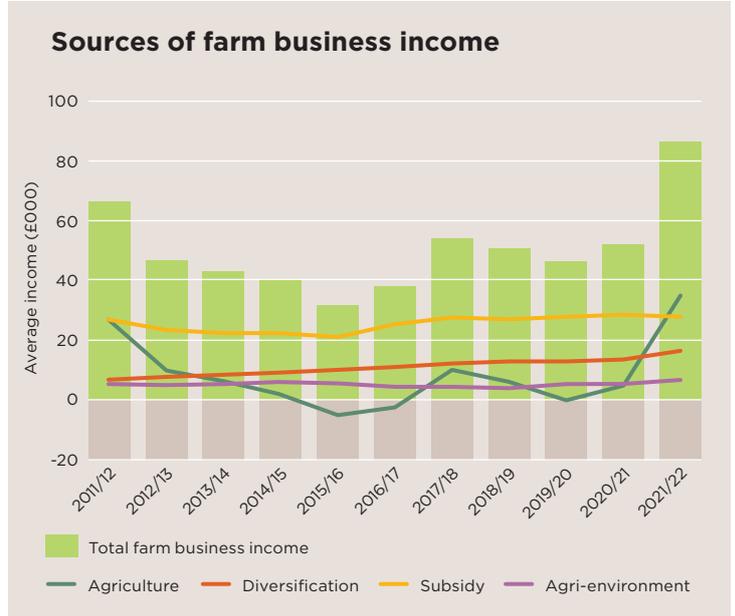


figure 1

Source Defra

Diversifying income streams

As costs increase and subsidies decrease, the case for diversification grows. Creating relevant and in-demand offerings is key to overall success

Welcome to our latest research publication on rural tourism and leisure. Farms and rural estates face constant pressure and uncertainty from diminishing subsidies, government policy, rising costs, climate change and the growing importance of sustainability, food and energy security. This publication focuses on rural tourism and leisure diversification and includes a special feature on how new ideas and innovation can bring opportunities, resilience and strength to a business.

According to Defra, 42% of farms are unprofitable without Basic Payment Scheme support (BPS). Agricultural subsidies were introduced to financially support farms in difficult years (such as 2015/16) and strengthen stronger years (2017/18) (figure 1). As BPS support fades, agri-environment scheme payments will take its place, but will typically offer less support and there are costs to participation too. This shift in agricultural support will force loss-making farms to rethink their business focus, cut fixed costs and possibly explore opportunities for diversification.

Without subsidy Defra suggests a business with an average income would have to reduce costs by 10% just to break even. Moreover, farms classified in the bottom 10% in terms of farm business income would have to reduce costs by 31% to achieve the same. Diversification represents an opportunity to

develop an alternative income stream which looks to utilise business assets and spread income fluctuation risk.

Over the years, many farms and estates have supplemented their traditional farming income by diversifying their business. During 2022 around half (51%) of farmers earned some form of income from a diversified

enterprise other than let buildings, according to DEFRA analysis. This compares to 33% 10 years before.

The range and types of diversifications have increased too. Some are very much related to the core farming enterprise, such as providing contracting services to other farmers, letting land for specialist crops, producing an alternative crop or shortening supply chains and adding value by using on-farm processing facilities. Others are people focused and include agri-tourism, farm shops, rentals, training and on-farm experiences. In recent years, the internet and changing customer expectations have influenced and encouraged new and interesting opportunities for farm-based activities.

The decision to diversify is triggered by many factors, but as highlighted above, the most common reason is to provide an increased and more stable income from the farm or estate. Products or services produced by many businesses have a fixed price, or one set by the business, however, most conventional farming businesses are market price takers rather than makers. Prices can fluctuate (widely in some years) and can present significant risks in terms of uncertainty of income and the lack of ability to forecast. Farm diversification enables farmers to be in more control of setting prices.

	Change since 2019 pre Covid-19	Change since 2022 Covid-19 recovery
Music festival	+2%	+24%
Wine tasting	+10%	+5%
Cooking class	+7%	+13%
Farm experience	+36%	-3%
Farm shop	+54%	+6%
Bed & Breakfast	-20%	+1%

figure 2

Source Google, Savills Research

“The decision to diversify is triggered by many factors, but the most common reason is to provide an increased and more stable income from the farm or estate”

WHAT IS IN DEMAND?

Figure 1 demonstrates average income from farm diversification is steadily rising and regularly outperforms environmental incomes. This is only an average figure and to be among the top performing rural diversifications, operators must remain aware of their market and customer preferences and attitudes. The dominant macro themes of sustainable living, wellbeing and experience over possessions continue to impact consumer decisions.

Our research explored the number of searches for a selection of keywords associated with rural business activities through Google search trend data (figure 2). Interestingly, with the exception of bed and breakfast, the number of searches for these activities has increased since 2019, indicating how experiences have the ability to recover from significant events such as Covid-19. The level of interest varies depending on the activity, for example, searches for ‘music festivals’ were slower to recover, but are benefiting from booming interest in 2023. ‘Wine tasting’ has seen a more linear and gradual increase over recent years. The more traditional accommodation diversification such as ‘bed and breakfast’ has not seen interest recover to pre-Covid levels. Finally, the keyword search ‘farm shop’ saw a surge in

interest related to Covid-19 but is now seeing steadier levels of growth.

Attracting custom through the exploration of new markets can increase brand exposure, attract new business and establish new, revenue streams. The overall enterprise benefits from cross-selling across different sections of the business. For example, offering cooking classes or distillery tours can promote sales of produce. A single, isolated event is transformed into a broader experience for the customer, which in turn promotes repeat custom and added value for the enterprise.

TOP THREE TAKEAWAYS

- 1 As BPS support fades, farm and estate diversification builds business resilience
- 2 Future-proof existing rural tourism and leisure businesses by expanding the offer with new events, experiences or attractions
- 3 Remain aware of macro themes that are driving consumer demand, such as sustainability, wellbeing and in-person experiences

THE RURAL VIBRANCY INDEX

The Savills Rural Vibrancy Index (RVI) tracks some of the key influences on farm tourism and leisure enterprises and aims to give a comparative indication of the strength of the rural tourism and leisure sector over time. The RVI combines a wide range of indicators in three headline categories: farm performance, the wider economic environment and the performance of leisure and events businesses.

The nation’s economy has endured tough conditions after the pandemic and continues to wrestle with inflation. Farm businesses have faced increased costs as a result; however, income figures suggest improved prices combined with robust yields have more than compensated

for these changes in 2022. Since then, high inflation has persisted longer than thought but is expected to ease. Many costs remain elevated and commodity markets have fallen so margins have worsened.

The leisure and events index performs well overall but has mixed fortunes on closer inspection. Visitor attractions continue to benefit from a recovery in visitor numbers post-Covid as consumer desire for experiences persists. Weddings have seen the flow of pent-up demand begin to wane and costs are a concern, but certain venues such as barns are enjoying heightened demand (panel right).

Looking ahead, the cost-of-living crisis is likely to have a negative impact on tourism and leisure enterprises.

Overall rural vibrancy improved in 2022, underpinned by strong on-farm performance with diversified businesses playing no small part in that success. 2023 will prove to have been a difficult year for rural businesses and looking ahead a continued focus on new ideas and raising business profile, visitor footfall, visitor spend and profit margins will be key to ensure continued success.

Figure 3 shows how the indices performed in 2022, relative to 2021.



figure 3

Source Savills Research

TOP THEMES FOR THE RURAL TOURISM, LEISURE AND EVENTS SECTOR

Consumers purchasing habits support the macro themes of sustainability, wellbeing and experiences, but they also presently have one eye on cost. How can rural entrepreneurs incorporate these macro themes into their tourism and leisure businesses? We analyse key enterprise types to determine how macro themes are impacting the sector.

23%

WEDDINGS

Almost a quarter of engaged couples have booked a barn for their wedding venue. They are attracted by a rustic venue with outdoor space and scenic views, but at a far lower price than some other venue types.

Source Bridebook

89%

FARM SHOPS

The majority of farm shops have seen sales surpass pre-Covid levels and two-thirds (64%) expect further increases.

Source Farm Retail Association

71%

EVENTS

Positive emotions elevate an event into an experience with 7 in 10 attendees saying

they make them happy and around half attendees saying events leave them feeling energised.

Source Eventbrite

62%

VISITOR ATTRACTIONS

More than six in 10 visitor attractions have an environment strategy or budget in place. Zoos, country parks and gardens are the most likely to have such strategies in place.

Source VisitBritain

58%

OUTDOOR ACTIVITIES

The number of people gaining health benefits from outdoor exercise has increased by 58% from 7.3 million in 2009 to 11.5 million in 2020, equivalent to 21% of the UK population.

Source ONS

45%

GLAMPING AND HOLIDAY ACCOMMODATION

Nearly half of potential domestic tourists indicated the cost of accommodation will be the main financial barrier to booking a break in the UK in the next six months. A third suggested they will seek cheaper accommodation.

Source VisitBritain

“There are opportunities for rural businesses around food and for those offering an experience or attraction in the countryside”

Future-proofing rural business

We highlight how innovation builds resilience and strengthens rural businesses

Over the past few years events have created unexpected opportunities for rural tourism and leisure enterprises. Covid-19 encouraged people to spend more time outdoors, which has benefited diversified farms and estates. The conflict in Ukraine has raised the profile of food security and British agriculture and the cost-of-living crisis has forced consumers and businesses to look for best value. As a result, there are opportunities for rural businesses around food and for those offering an experience or attraction in the countryside.

THINKING OUTSIDE THE BOX INCREASES FOOTFALL

Rural tourism and leisure businesses are increasingly positioning themselves as visitor destinations. Adding a new feature to an existing farm and estate diversification can help attract a wider customer base and increase visitor numbers. A novel attraction, event or experience that complements the existing business can improve customer loyalty and increase repeat custom. The existing diversification will benefit further if these new ideas tap into the high-level consumer trends that have developed over the past few years; sustainable living, wellness and experiences.

There are many reasons why diversified rural tourism and leisure businesses look to strengthen and expand, but most decisions relate to increasing profit to ensure success

over the long term. For some, the desire to expand relates to succession and family members returning to the farm or estate, often with new ideas. Diversifying the diversification can also mitigate risk.

Ultimately it will depend on the type of business, its location and target market, but expansion can be achieved in a variety of ways. Our research highlights 10 ideas for expanding and adding value to rural businesses. We discuss how to add features to the existing enterprise and highlight opportunities to promote and improve access to the business through new routes to market.

CREATING A VISITOR DESTINATION

- 1 Collaborate with local businesses to widen the scope of an attraction.** For example, milkshakes via a vending machine could encourage repeat visits to a farm shop.
- 2 Create a seasonal attraction and experience.** Such as pick-your-own pumpkins, guided walks, wildflower meadow visits, Christmas trees and wreath-making.
- 3 Develop an additional feature.** Offering areas for people to walk their dog, picnic and play free of charge can increase footfall to the main attraction.
- 4 Offer an experience.** This taps into the popularity of experiences over possessions. Ideas include providing an experience through a play area, crazy golf,

guided nature walks or cookery lessons.

- 5 Create a story around the farm or estate’s cultural heritage and history.** This can be extremely powerful in creating further interest and can help develop brand and business loyalty too.
- 6 Add a point of difference.** Quirky accommodation and a unique or unusual activity, service or product can improve competitive advantage.

ROUTES TO MARKET

- 7 Consider alternative places to market the product or service.** Broadening the product or service outlets can increase exposure. Consider attending festivals and other events to extend your reach.
- 8 Develop a digital presence.** Online retailing presents opportunities for the business to learn more about their customers and improve communication.
- 9 Create a delivery service.** If appropriate, offering a delivery service can introduce new customers to the business and widen the reach.
- 10 Tailor opening hours.** Break away from traditional opening hours to create a wider customer base and even reduce costs.

There are many considerations when creating and expanding a rural diversification. Its success depends crucially on the time that is spent researching, planning and evaluating

WHY DIVERSIFY THE DIVERSIFICATION?

- Increase income and future-proof the business
- Enable family members to join the business
- Improve footfall
- Differentiate the business to gain competitive advantage
- Take advantage of a new opportunity or market
 - Attract a wider customer base
 - Encourage customer loyalty and repeat visits
 - Reduce risk
- Create opportunities to collaborate with local businesses



98%

of farm shops open at the weekend but only 14% open in the evening

7

is the average number of additional attractions or activities offered by farm shops

opportunities for the diversification. The location and landscape of the business, together with its assets, potential target market, planning regulations, available staff and cost of insurance will all have an impact on the decision.

POINTS TO CONSIDER WHEN EXPANDING

- **Are there assets that can bring further opportunities?** Redundant buildings, lakes, rivers, woodland, fields, heritage, footpaths.
- **Does the expansion meet the business' vision and goals?** Experience days, accommodation, storage, or collaborating with local businesses.
- **Target market.** Who are the customers and where do they live?
- **Competitor analysis.** To establish what competitors exist and what they are doing.
- **How to position the product or service.** What is the unique selling point? This can be ascertained from the competition and target market analysis.
- **Managing more visitors.** Does the business have the skills to deal with the public?
- **Planning.** Does the project need planning permission and how will it fit with local plans e.g. nature protection?
- **Funding and grants.** How will the project be financed? Are there any grants or private finance opportunities available?
- **Tax implications.** Diversification could have positive or negative tax implications so consider all perspectives.
- **Health and safety.** It is important to understand the health and safety requirements of any expansion.
- **Legal.** It is recommended to seek legal advice particularly if the business status is changing due to the expansion.
- **Succession planning.** Does diversification offer the opportunity for younger members of the family to come into the business.
- **Infrastructure.** Is the expansion accessible by all, what is required if not? Can the expansion include renewable energy opportunities to build resilience in energy provision for the future.
- **Finance.** Seek professional advice to develop forecast profit and loss accounts and look at budgeting against these as the diversification develops.
- **Marketing.** What format does the marketing material need to be in and how often should it be promoted?
- **Insurance.** It is important to make sure the business has the correct insurance. When looking at the overall strategy, risks will need to be assessed and a view on how the business will mitigate them.
- **Rating.** Does the new enterprise or change in use of any buildings have implications for business rates.

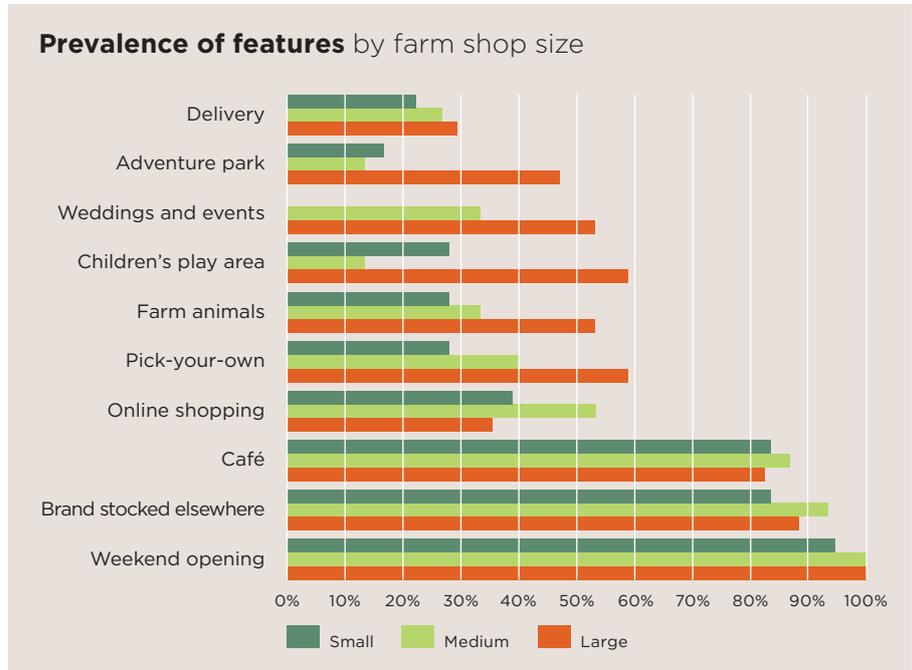


figure 4

Source Savills Research

FOCUS ON FARM SHOPS

To demonstrate how rural tourism and leisure businesses are adjusting to meet the changing expectations of customers, improve returns and strengthen the core business, Savills rural research undertook a desktop study focusing on 50 farm shops of all sizes across the UK. Our research reviewed and categorised the activities and attractions offered by these farm shops using websites and open source data.

Analysis of the 50 farm shops indicates that many are expanding their offer by adding further activities and attractions (figure 4).

Not only does this encourage repeat visits, longer stays and ultimately increase income, new ideas and activities may also attract a wider and new customer base. Figure 5 highlights the most popular recurring features.

- All of the farm shops analysed had additional activities and attractions.
- A broad range of features were offered across all sizes of farm shop from weekend opening, cafés, online, pick-your-own to play areas and vending machines.
- Of all the farm shops analysed the average number of features offered was 7, with 12 being the most offered by a larger farm shop.

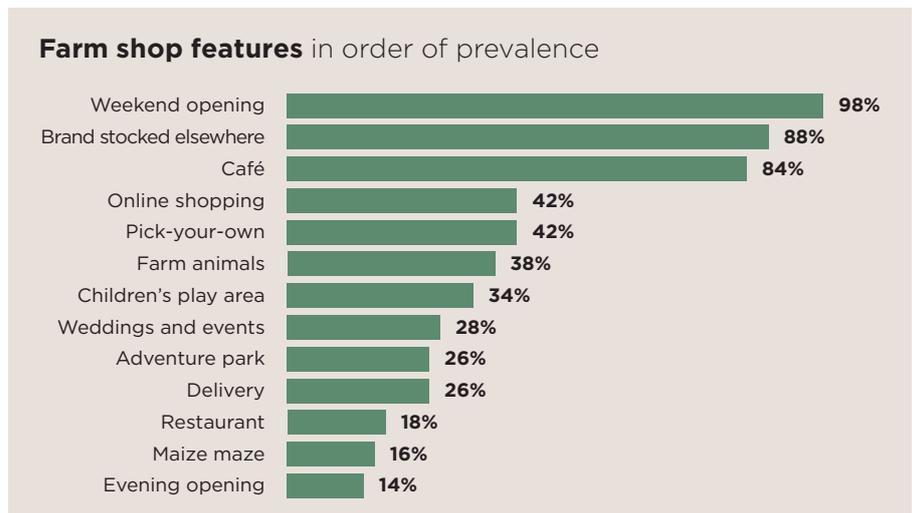


figure 5

Source Savills Research

1,000

people learned about lambing through on-farm tours at Lennox of Lomond

45

local producers supply products to Uncle Henry's farm shop in Lincolnshire

Developing authentic rural visitor destinations

These case studies demonstrate how four different but successful farm and estate diversifications have managed to utilise their assets, expertise and heritage to strengthen their traditional farming businesses. In all cases, much of the success and growth of the businesses can be attributed to a constant theme, vision or story that influences all decisions and is unique to the diversification



LENNOX OF LOMOND

A working hill farm offering farm experiences and luxury accommodation

Eleven generations of the Lennox family have been farming the western shores of Loch Lomond in Scotland since 1750. The 5,000 acre tenanted hill farm is home to Bobby and Anne Lennox, their daughter Kay, her husband Dougie and their children. The family farms 1,100 sheep, 25 native cattle and has four working sheep dogs.

Today, Lennox of Lomond offers luxury lodges with hot tubs, holiday cottages and farm tours. We discuss the farm's diversification journey with Kay starting in the 1970's when the farm employed two shepherds, a tractor driver and Kay's grandparents. At this time, due to declining profits and the need to reduce costs, the diversification was born. The farmhouse became a bed and breakfast, which continued for 30 years. Retiring staff were not replaced with their accommodation becoming two self catering holiday cottages.

In 2018, the family secured planning permission to build luxury self-catering lodges

with hot tubs, each sleeping two adults. These Bonnie Barns, named after the islands on Loch Lomond, were designed and built by Kay's husband. The unique finish and the personal touch has provided a point of difference and further appeal. The first lodges opened in the autumn of 2020 and, despite the interruptions caused by Covid-19, were soon fully booked. Today, there are a total of five lodges.

In 2019, the farm created an on-farm lambing experience and the farm tours followed. In 2023, 1,000 people passed through the lambing shed. The farm also offers a "day in the life of a farmer". These activities include learning about the farm's history, feeding animals and seasonal activities such as watching sheepdog and shearing demonstrations and dinner in the farmhouse. "The success of the diversification is certainly helped by the farm's breathtaking location, but the new enterprises are also intrinsically linked to the working farm via the farm experiences and the history on the farm," says Kay. "We operate an online booking system for all our visitors, which gives us control and allows us to manage all areas of the business."

COBBS FARM SHOP

Collaborating to supply quality food with provenance

In 2007, a passion for quality food and the growing success of the farm shop market encouraged Tom Newey and his team to develop Cobbs Farm Shop and Kitchen. Throughout the 16 years that followed, Tom has successfully developed a transferable model to buy or lease appropriate sites on farms and estates to set up farm shops and on site dining experiences. The first farm shop, butchery and kitchen was opened in Hungerford.

Today, Cobbs has a total of five farm shops that share a consistent look and feel. The Hungerford site is described as the ultimate food destination and as well as a Cobbs play barn for children up to eight years old, there is a programme of events, including sausage-making workshops, a seasonal pumpkin patch and a Halloween open air cinema, among others.

Redundant cattle barns are now an incredible food destination at Cobbs farm shop and kitchen at Englefield, while in Winchester it is within an old watercress shed. Both operate seasonal events, including coffee mornings and creative workshops. The Stratford-upon-Avon site was once a fruit farm, but now includes a farm shop, café, deli, butchery and cookery school.

"As well as the financial and social benefits generated by a farm shop, farms and estates are encouraged to share in the success of the Cobbs brand by the ability to diversify without the operational risk and experience," says Tom.



“Innovation and creativity is key and we are always looking at the next idea to generate further interest”

ELMORE COURT
Combining the magic of history and nature

Anselm Guise inherited the Elmore Court estate from his uncle in 2007. With 750 years of continuous family ownership to preserve, Anselm set to work on his vision to bring the heritage and natural environment alive across the estate, which consisted of 1,200 acres of farmland made up of six let farms, a large country house and cottages all requiring some refurbishment.

As the main house was not let and in need of restoration, Anselm’s career in the music industry presented him with the knowledge and an opportunity to create an event space and refurbish eight of the bedrooms within the house. In 2013, a wedding venue was launched. In 2016, the builders were back to refurbish a further eight bedrooms and “The Coach House”, which sleeps six. In 2018, the Victorian kitchens were converted as the perfect place for tastings and pastry-making.

Anselm’s interest in the planet and a determination to create an estate that is as self-sufficient as possible has resulted in an ethos of sustainability throughout the estate. As tenant farmers have retired, Anselm is now farming some of the land in hand and adopting regenerative principles and, where appropriate, rewilding parts of the farmland.

Anselm says “I am very excited about Elmore Court, we have joyful gatherings and



celebrations of love within the wedding venue. We have genuine nature recovery, which is now showing signs of being extraordinarily magical.” To continue the sustainable tourism journey Anselm has recently created six new treehouses within the canopy of the woodlands and overlooking the wetlands. “Birds are flooding in and so too are the visitors.” The powerful connection with the history of the estate, along with Anselm’s vision to connect the business activities and people to nature is creating an estate fit for the future.



UNCLE HENRY’S
From farm shop to visitor destination

Emma’s parents started the diversification journey back in 2006. A move back to the family’s arable and pig farm in Lincolnshire, foot and mouth, derelict buildings, combined with a desire to bring food and drink direct to the consumer saw the beginnings of Uncle Henry’s farm shop, butchery and café. Uncle Henry’s is open seven days a week and is a hub for local food and drink, stocking products from over 45 Lincolnshire producers. In 2008, the café was expanded from 45 seats to 90 seats, along with expansion of the butchery and food processing facility. The farm produces its own

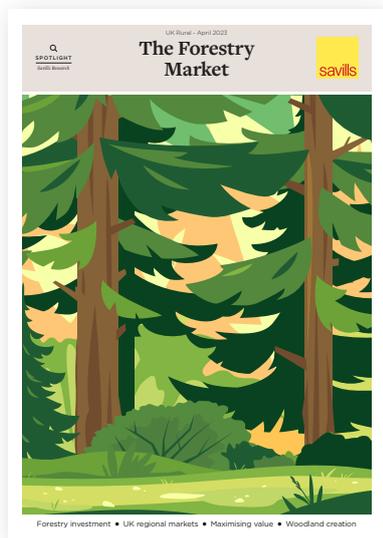
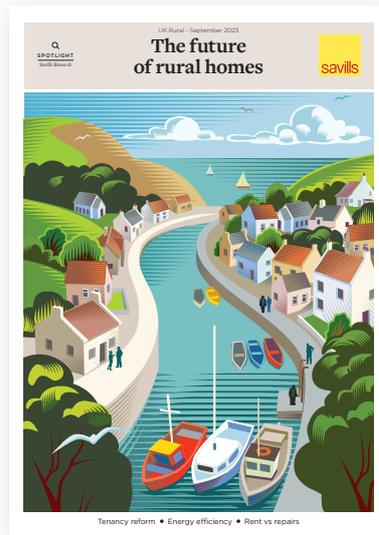
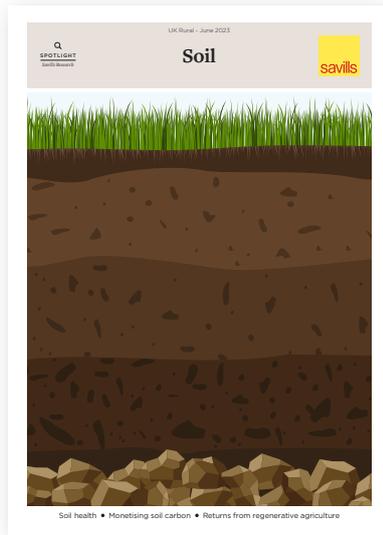
Lincolnshire sausages, sausage rolls, Scotch eggs, dry cure bacon and other deli products.

We talked to Emma Blandford who, after studying at Harper Adams University and working in the food sector, was able to move back to the family farm in 2014 to take on the management of the farm shop, butchery and café. Emma is keen to convey that every part of the business is linked in some way. Her brother manages the farming operation to supply the farm shop and her husband manages the energy produced from the anaerobic digestion plant, which in turn supplies the farm shop and pig unit.

A strategy to widen the customer base and increase footfall led to the creation of a Maize Maze in 2016. A

Fairy Trail was also started in the old kitchen garden, with both operating for the six weeks of the school summer holidays. The family soon realised that the business could benefit from creating seasonal attractions. “As a result we now have an all-year-round family fun offering,” Emma explains. “Innovation and creativity are key and we are always looking at the next idea to generate further interest. The farm shop is not surrounded by lots of houses so we need to broaden the appeal of the business. The seasonal attractions are very popular and encourage repeat visits. Plans for the future are focused on continuing to increase footfall through seasonal events and expansion of our dog friendly activities.”





Savills Research

We are a dedicated team with an unrivalled reputation for producing well-informed and accurate analysis, research and commentary across all sectors of the UK property market.

To view copies of our previous Spotlight publications, go to www.savills.co.uk/insight-and-opinion/

Nicola Buckingham

Associate Director, Rural Research
+44 (0) 7807 999 011
nbuckingham@savills.com

Simon Foster

Director, Tourism, Leisure and Events
+44 (0) 7855 999 486
sfoster@savills.com

Joe Lloyd

Associate, Rural Research
+44 (0) 7790 824 970
joe.lloyd@savills.com

David Collier

Associate Director, Tourism, Leisure and Events
+44 (0) 7974 040 251
david.collier@savills.com

Ashley Lilley

Director, Food and Farming
+44 (0) 7770 652 964
alilley@savills.com

Adam Davies

Associate Director, Tourism, Leisure and Events
+44 (0) 7929 854 314
adam.davies@savills.com