**Developing Pub Accommodation in County Durham**

**The Purpose of this Guide**

This guide is intended for to support pub accommodation development and includes information about initial research ideas, assessing market demand, understanding your competition and how you will position your offer.

**Pub Accommodation - The National Context**

**Unlocking the Potential of Pub Accommodation**

**The Pub Sector Context**

These are challenging times for the UK pub industry. A number of factors have combined to create acute financial hardship for many and closure for rising numbers.

In the face of continuing challenges pubs, can only survive if they have a range of income streams.

**The Tourism Sector Context**

* Tourism in the UK is booming. Pubs are a significant tourism asset for domestic and overseas visitors.
* Hotel performance in the UK is at an all-time high.
* In terms of pub sector, tourism sector and accommodation sector trends then, the time is absolutely right for the expansion of the pub accommodation offer.

**The Benefits of Pub Accommodation Development**

The benefits are significant, and include:

* Creating a third income stream alongside food and drink
* Opening the business to new markets, presenting an opportunity to widen the customer base to people who never otherwise come to your pub, and to generate additional repeat trade
* Increasing food and drink sales from staying visitors who choose to eat and drink on site, especially in more remote locations with fewer surrounding facilities
* Creating a more balanced and rounded business, not just in terms of income streams but also generating demand across the week and year
* Improving pub viability and profitability, through increased revenues
* Rooms also provide a much higher profit margin as there are minimal additional operating costs
* Making total pub revenues more consistent and less dependent on weather
* Supporting employment of staff at the pub, extending their hours, better utilising manpower throughout the day, and in some cases creating new jobs
* Increasing the value of the business and the asset, making it more attractive to buyers at a higher asking price.

**The Development of Pub Accommodation in the UK**

There are around 6,000 pubs in the UK providing over 50,000 bedrooms, together turning over more that £800m. The majority have 5-10 bedrooms.

There is a wide variation across the pub accommodation offer, from traditional to contemporary, economy to luxury, in both rural and urban settings.

The specification of a pub accommodation offer will to some extent need to reflect the markets being targeted, the location, and the nature of the associated pub/restaurant

* A quality offering is key
* An assurance of that quality is increasingly sought by customers
* Getting the core offer right is a critical starting point

**Viability Implications – Performance, Costs & Returns**

Insight into the performance of pub accommodation is available from sector studies - there is a wide variation, by standard and location.

**Patterns of business and market mix**

Patterns of business across the week and year will vary by location and catchment,

Additional food & beverage spend

**Development costs**

The costs to develop pub accommodation quoted by pub company and independent operators varies significantly, reflecting the type of development and the standard being delivered. The returns sought by pub companies typically range between 10% and 20%.

**The County Durham Market – Scope for Growth in Pub Accommodation**

**A Growing Market**

Staying tourism in Durham is growing, with 1.6m overnight visitors in 2017 – up over 10% since 2014 – spending £177 per trip. Research shows that people are starting to discover County Durham, with over half of those staying overnight in 2016 being first time visitors. Going forward, the Tourism Management Plan prioritises attracting new staying visitors to the county and extending their length of stay by promoting short breaks based on the county’s strengths of heritage, walking and cycling. Empty-nester couples – classed as ‘country loving traditionalists’ - are the largest market segment, and ‘free and easy mini-breakers’ (under 55, singles and couples with no kids) are also a further key segment being targeted by Visit County Durham (VCD), both of which pub accommodation would have appeal to.

In terms of what is driving this growth in staying visitors:

* Huge investment is going into the county’s attractions and leisure offer to drive leisure market growth
* Demand for visits to friends and relatives and for weddings will grow as the county’s population expands
* University-related demand is also forecast to increase
* Business tourism is also likely to increase
* Contractor demand is also forecast to increase

**Target Markets for Pub Accommodation in County Durham**

The market segments that are likely to be attracted to pub accommodation include:

* People visiting the area on business
* Short breaks/staycations
* Overseas visitors
* Visitors to friends and relatives
* Parents visiting their children at Durham University,
* People attending weddings
* People attending major events

Market demand and achievable occupancy levels vary across County Durham.

The market focus and mix will depend to some extent on the nature of the offer and the market segments individual pub operators decide to target

**A Limited Supply**

County Durham currently has a limited supply of pub accommodation, a total of 47 establishments offering just under 400 bedrooms.

Quality is variable,

In terms of location, the Vale of Durham has the largest amount of supply

The majority of the existing pub accommodation supply is independently operated

Whilst pricing reflects the range in quality of provision, the general move in the past 5-10 years has been towards higher quality offers

Tripadvisor reviews for good practice pubs with rooms in County Durham are in the main very positive showing high levels of satisfaction

**The Potential Identified in County Durham**

**Demand**

Studies have identified potential for pub accommodation across the county.

Pubs and properties for conversion in both urban and rural locations can be suitable for the development of bedroom accommodation, provided they have the available land

**Opportunities**

* The up-grading of existing well-located characterful pubs
* Refurbishment and modernisation of current properties to reopen rooms or convert suitable outbuildings
* The development of some gastropubs with boutique bedrooms, especially around Durham, Beamish, Barnard Castle and Bishop Auckland
* Scope for new build pubs with budget bedrooms or contemporary gastropubs with boutique bedrooms, including as part of mixed-use schemes, for example in Durham

**Assessing the Potential**

The first step is to assess the potential for accommodation – the physical potential of your property, the potential market in your area and beyond, what the competition for visitor accommodation is, and what the nature of your offer should be in terms of quality, pricing and positioning.

**1. Property Potential -** identify whether the property has the physical potential to offer bedroom accommodation for visitors.

**2. Market Potential –** identify whether there is a potential market for pub bedrooms in the location

**3. The Competition -** Be clear about what you are offering relative to competitors

**4. Positioning the Accommodation Offer -** identify a positioning and price

**The Process – A Need to Plan**

Effective planning of the rooms development and ensuring you understand the implications for all aspects of the business, its operation and financing, is critical to successfully translating ideas into reality. key issues to consider;

1. **Planning & Regulation** – be aware oflegal requirements
* **Planning Permission & Building Regulations**
	+ **Other Regulatory Requirements** e.g. Fire regulations, Health & safety

**Business Planning -** essential for all businesses that want to succeed.

Keys to Success

**Market-related**

* Clearly define the target market for your rooms
* Know your competition and position your offer and pricing accordingly
* Identify sources of business for all times of year, and support with a flexible pricing strategy
* Build strong relationships with local businesses
* Develop a good local reputation and get involved with your local community – if a mature business, build on this customer base and reputation
* Satisfy your customers to secure high levels of repeat business
* Understand who your local competition is and your strengths and weaknesses relative to that competition
* Dedicate sufficient resource to marketing
* Develop a multi-stranded approach to marketing based on a clear view of your unique selling points
* Make your product easy for customers to find and to book - including a strong online presence with bookability

**Product-related**

* Deliver a quality physical product of minimum 3 star and ideally 4 star guest accommodation standard that is characterful and distinctive
* Pay attention to detail and add personal touches to the rooms to create that ‘wow’ factor to surprise and delight customers
* Quality rooms should be matched with a quality, locally sourced food offer – even a stylised gastro-pub or offer – that will attract customers and keep spending on site
* Demonstrate to your customers an assurance of quality through participation in regional schemes such as Taste of Durham and the North East England Tourism Awards, and perhaps one of the national quality assessment and awards schemes
* Actively manage your Tripadvisor feedback positively
* Regularly maintain and re-fresh the rooms and public areas to keep quality standards high

**Organisation and resource-related**

* Deliver a warmth of welcome, a high degree of personal involvement and service and strongly developed customer care skills, supported by training as needed
* Build relationships through continuity of management, which also provides stability in the business, and demonstrates commitment to the offer and service
* Put strong financial controls and monitoring mechanisms in place to keep a finger on the pulse of the business
* Recognise in business planning realistic occupancy and room rate projections, the potential seasonality of business, and the need for time for the business to build to stable levels of trading

**For more information**

**Getting Help Planning Your Pub Accommodation**

**Where Next?**

This Guide and the associated research has been spearheaded by Visit County Durham who have a wealth of knowledge about the county, tourism and economic development, as well as being able to advise businesses with their future developments.

For more information;

* <https://www.visitcountydurham.org/visitor-economy/investing-in-durhams-visitor-economy>
* <https://www.visitcountydurham.org/business-resources/starting-and-growing-your-business>
* <https://www.visitbritain.org/business-advice/know-your-legal-obligations>
* <https://www.stayinapub.co.uk/About/Stay_in_a_Pub_Best_Practise_Guidelines/Visit_England_Thoughts_and_Suggestions>
* <https://www.stayinapub.co.uk/pdfs/cms/About/Stay_in_a_Pub_Best_Practise_Guidelines/stay_in_a_pub_pdf_best_pratice_367399787.pdf>
* [www.visitenglandassessmentservices.com](http://www.visitenglandassessmentservices.com)
* [www.visitbritain.org/business-advice](http://www.visitbritain.org/business-advice)
* <https://beta.visitengland.com/plan-your-visit/access-all/national-accessible-scheme>

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