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INTRODUCTION TO SCENARIO PLANNING

The purpose of this toolkit is to help businesses to plan, to work to address many different challenges they may likely yet face through 2021, and to help steer those businesses out through to the other side of the COVID-19 pandemic.

It’s no understatement to say that the pandemic has had an unprecedented impact on the tourism and hospitality sector in 2020. An event unthinkable in 2019 has since resulted in the need for an extraordinary response on the part of Scottish tourism businesses. Operators have responded in a variety of ways to cope with uncertainty, lockdowns, availability of customers. Looking forward, developing flexible strategies is one of the most important routes to recovery. One valuable technique to prepare for an uncertain future is Scenario Planning.

Scenarios are a powerful tool. They are particularly useful in the development of strategies to navigate extreme events seen recently in the world economy. Scenarios enable businesses to plot a course between the uncertainty and confusion which often strike in troubled times. When executed well, scenarios provide a range of possible situations with which to challenge and test a business plan or strategy.

A scenario isn’t a forecast or prediction, but a range of plausible outcomes based on available evidence. The question asked when testing your strategy should be what would I change, if anything, if this outcome happens? Scenarios will not provide all the answers, but they help to ask better questions and prepare for the unexpected. And that makes them a very valuable tool indeed.
KEY ASSUMPTIONS AND UNCERTAINTIES

Developing scenarios follows a logical process. Part of the initial stages are the identification of the assumptions and uncertainties of the foresight being investigated. From the uncertainties and assumptions, we derive the critical factors that will lead to strategic insight.

In this toolkit we are looking at the potential impacts of the COVID-19 pandemic on Scottish tourism.

Our time frame is based on a 12 months horizon from summer 2020. However, if the underlying fundamentals of the present situation remain unchanged (anti-vaccine not yet widely distributed, physical distancing legislation continues) the scenarios may remain valid through to summer 2021.
KEY ASSUMPTIONS AND UNCERTAINTIES

Assumptions

• Scottish Government local protection tier System remains in place.
• Physical distancing remains in operation in some form into 2021.
• Sector capacity is constrained owing to physical distancing requirements.
• Tourism and hospitality operators are required to close at short notice and on an infrequent basis due to localised lockdowns based on designated tier levels.
• No major sporting or cultural events / festivals involving substantial numbers of spectators until 2021.
• Subdued business travel through homeworking and videoconferencing.
• Schools and childcare operate on standard timetable from mid-August 2020.
• Public transport operating services, but capacity significantly limited to allow for physical distancing.
• Themes and priorities of the tourism strategy remain unchanged, “responsible tourism for a sustainable future”.
• Domestic tourism driving initial recovery of tourism. International tourism develops over time as travellers and providers develop strategies for managing safe movement across borders.

Uncertainties

• Prevalence of the virus across Scotland and globally, affecting markets and operators.
• Localised outbreaks and lockdowns.
• Depth and duration of the downturn or possible recession. Household and business financial resilience.
• Availability and nature of ongoing financial support to businesses as pandemic continues (i.e. future furlough schemes, business continuity loans, rent/rate holidays).
• Community perceptions of tourism.
• Supporting infrastructure – availability of digital provision with the move to online transactions; public transport capacity; weather – especially for outdoor activities and day trips.
• Attractiveness of Scotland as a destination for Scots residents, rest of UK and International.
• Consumer attitude to the “safety” of travel in general
• Availability and capacity of tourism product from transport, accommodation, attractions, retail, activities and hospitality.
Getting Started with the Scenarios

This toolkit has been developed as a practical guide for tourism businesses in Scotland. It is intended to assist in contributing to strategic thinking and planning during this time when the future appears to be complex and uncertain. We have five scenarios on how Scottish tourism might evolve over the next 18 to 24 months. By reading and considering each scenario independently and considering the implication on your customers, product, staff and suppliers, should this scenario develop, you will have a strategic response ready.

You should remember that the scenarios, assumptions and uncertainties aren’t forecasts or predictions. We shouldn’t see one of the scenarios as a goal to achieve but one of several possibilities that may occur as circumstances develop. So how do we use the toolkit?

1. Read the five scenario outlines to understand each of these “worlds”. We have a Baseline Scenario (Scenario 1) that describes Scottish tourism as we left lockdown in July 2020 and tourism restarted. Scenarios 2 to 5 describe alternative developments of tourism some benign, others negative as consumer behaviour and our operating environment is influenced by changing effects of COVID-19.

2. Consider what each scenario means in terms of impact and its consequence on your customers, product, suppliers, staff, wider destination.

3. Having understood how each scenario will affect your businesses, we can develop strategy outlines in response. Which visitors should I focus on? What are their expectations? How do I market my product in this scenario?

4. Identify the actions to implement for this scenario in the short, medium and long term.

5. Monitoring the scenarios. Based on knowledge of your area and business, how is your operating environment and customers being impacted and how is this developing? How are forward bookings and enquiries changing? You can identify a list of indicators specific to your needs to plot where you are in terms of which scenario we are moving towards.

Please remember the objective of the toolkit is not to identify the most likely scenario, but to use different scenarios to develop our understanding. The outcome is to have a clearer and adaptable approach to planning during these uncertain times.
THE FIVE SCENARIOS
The Baseline Scenario is our “world-as-it-is” interpretation of how tourism looked after it restarted following lockdown in July 2020. It represents our starting point from which to consider the other scenarios as they begin to deviate from this and as we look at changing consumer behaviour and business operating environments.

As lockdown came to an end, we saw strong consumer confidence for travel as pent up demand grew. Forward bookings data demonstrates signs of a consistent return in both international and domestic tourism, albeit below levels seen in previous years.

However, travel restrictions were slow to relax, particularly on international borders. Physical distancing legislation remained a constraint on supply and what businesses were able to offer may have been restricted. The ongoing presence of the virus results in periodic localised lockdowns.

Consumers’ desire to travel and buy tourism products and participate in tourism activity remains positive. However, some communities with low levels of infection are initially wary of tourists. Visitors are primarily domestic and looking for outdoor activities and attractions.

The tourism sector is operating under government policy guidance for the implementation of safety protocols to control infection. This results in restricted occupancy levels for accommodation and footfall restrictions for attractions. For some, businesses remain closed, either through temporary pause in trading, or ceasing trading through liquidation.
SCENARIO TWO: The old normal

In this scenario we see infection rates managed through the introduction of vaccine or societal compliance with regulations, so we begin to live COVID-19. This results in strong consumer confidence developing resulting in increasing tourism demand to pre COVID-19 levels.

Visitor markets develop initially from domestic, through to international possibly based on bilateral arrangements for travel over time (air bridges or travel bubbles). Accommodation occupancy recovers swiftly through the implementation of clear guidance for reopening and visitor’s adherence to the regulation.

Forward bookings data indicate further strengthening in months ahead. Rural and coastal tourism see strong initial popularity with urban / city tourism popularity growing towards year end and shift in season from summer to winter. Self-catering and caravan & camping are initially more popular following lockdown.

The hotel sectors becoming increasingly popular due to facilities and services being delivered in a demonstrated safe environment. B&B and hostels grow in demand as consumer confidence resumes and demand for travel increases.

Attractions, activity providers, events and business tourism all adapt to the new situation through investment in new technology (booking management, contactless payment) and working practices which allows larger groups to safely meet and engage.

Physical distancing means that overall numbers of visitors are still reduced but outbreaks are controlled, and local spikes neutralised through effective testing and track and trace systems resulting in a controlled but normalised return to tourism.
SCENARIO THREE: Doors open

These remain challenging times for consumers. Concerns over possible COVID-19 infection, worries over household incomes and job security result in people watching their spending and where they go and what they do.

Confidence among younger travellers remains high but this group are disproportionately affected by having a regular income or restrictions on movement if they are studying. The “empty nesters” or households who have no dependent children are more confident and slightly more secure financially but may have restrictions due to concerns over elderly relatives, caring commitments which constrain their tourism activity. Families and “vulnerable” groups show greater caution around travel combined with concerns arising from personal household income, job security and future earnings.

In this scenario tourism businesses remain open with clear guidance and support. Tourism and hospitality can operate with minimal disruption (albeit while implementing safety regimes) and a range of tourism product are available from accommodation, hospitality, activities and attractions. Most businesses reopen with no supply chain restraints. It is consumers who are wary of travelling that businesses need to convince.

Businesses start to focus on adapting and demonstrating the safety of their experience or product to wider, newer markets than traditional ones. It is the uncertain future of the economy and households’ reluctance to spend, possibly over to rebuilding savings lost over lockdown, that restricts the demand for an open and operating tourism sector.
SCENARIO FOUR: Long chill

This scenario assumes the implementation of physical distancing legislation, rolling localised lockdowns due to uncontrolled cases of infection, confusing regulation being introduced and then reversed has limited the capacity of tourism operators and had a lasting effect on confidence in travel among travellers.

With the uncertainty, rolling closures, disruption to suppliers, debt accrued by households and businesses and concerns over future economic performance has resulted in the tourism industry suffering major disruptions and economic stress.

With the infection developing in waves and regionalised lockdowns starting and ending, businesses need to be aware of their customers’ individual situation, manage their bookings accordingly and streamline procedures to implement cost savings.

Consideration towards staffing to retain experience also needs to be developed as possible forced closures due to restrictions may happen regularly. Diversification and product adaptation in response to difficult trading conditions may be an option for managing this dynamic scenario.
SCENARIO FIVE: Five winters

This could be described as the worst-case scenario. Following the equivalent of three to five quarters of “low season” levels of performance, brought on by a perfect storm of economic recession and rolling waves of infection and subsequent lockdowns, most parts of the economy are suffering from decline in consumer spend and business closures.

Already hospitality and retail businesses have witnessed several major names going into receivership. The collapse of a major airline and/or hotel chain reinforces the challenges facing tourism.

Domestic tourism remains viable with local travellers seeking new and innovative, affordable products on their doorstep with which to escape the present realities. Physical distancing and available useable outdoor space remain the upper constraint on capacity. Urban and rural offerings appeal to different travelling segments based on confidence and income. Value for money in the offer may be a factor differentiating providers and products.
WHAT DO THESE SCENARIOS MEAN FOR MY BUSINESS?

Considering each of the scenarios, complete the tables on the following pages. For each element of your business operation what do you think the impact of the scenario will be? (i.e. how will each scenario influence your current customers, product, staffing?). Secondly what is the implication of each scenario as a result? (i.e. what is the consequence of the impact outcome of the scenario?)

For example, if a golf tour operator specialising in international visitors looked at Scenario 3, they may consider that their core market will be disrupted, therefore look to domestic markets, possibly younger groups who may have less disposable income. The traditional product may not appeal to their new audience, so would playing more rounds on great value, quality regional golf courses be attractive? Or perhaps tours could be combined with other activities such as something cultural or local food supplier site visits? Will staff need to be briefed on new itineraries or perhaps develop new social media channels. Finally, will new collaborations need to be developed with providers to accommodate new types of customers?
<table>
<thead>
<tr>
<th>Baseline scenario</th>
<th>The old normal</th>
<th>Doors open</th>
<th>Long chill</th>
<th>Five winters</th>
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</thead>
<tbody>
<tr>
<td>What does this mean for my customers?</td>
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<td>What does this mean for my product?</td>
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<td>What does this mean for my staff?</td>
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<td>What does this mean for my suppliers?</td>
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</tbody>
</table>
BUILDING THE RIGHT STRATEGY FOR MY BUSINESS

Using the toolkit, we have examined possible scenarios and considered how under these, elements of your business may be impacted and what the implication may be. In this section we will develop this thinking and further expand on the key elements for your proposed strategies, should any of these scenarios begin to develop.

This may be an exercise you would like to do together with your staff, to build trust, encourage team-building and gather new and innovative ideas from a range of opinions.

For each of the scenarios in the matrix below consider the questions based on your activity so far and build a picture of your optimal response to the scenario.
<table>
<thead>
<tr>
<th>Baseline scenario</th>
<th>The old normal</th>
<th>Doors open</th>
<th>Long chill</th>
<th>Five winters</th>
</tr>
</thead>
<tbody>
<tr>
<td>Which visitor segments should I focus on?</td>
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<tr>
<td>What are my customers’ expectations – what do they need?</td>
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<tr>
<td>How do I tailor my products appropriately?</td>
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<tr>
<td>How would I market this?</td>
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<tr>
<td>What would staffing and training needs be?</td>
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<tr>
<td>What investment would I need?</td>
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<tr>
<td>Would I need to develop new supplier relationships?</td>
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<tr>
<td>What collaborations would be beneficial?</td>
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<td>Where would I obtain support?</td>
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</table>
As a final task, take a look over your strategies for each of the scenarios and identify the actions you want to take, that will distinguish your business from others. Make sure you consider your aspirations and goals for each scenario. The aim is to have a series of achievable objectives for each scenario, ready to implement should they be required and therefore be agile to change.
<table>
<thead>
<tr>
<th>Baseline scenario</th>
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<th>Long chill</th>
<th>Five winters</th>
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</thead>
<tbody>
<tr>
<td><strong>What outcome will we achieve in the first 30 days?</strong></td>
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<td><strong>What outcome will we achieve in the first three months?</strong></td>
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<tr>
<td><strong>What outcome will we achieve in the first year?</strong></td>
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<tr>
<td><strong>What three key actions will we focus on and who will be responsible for them?</strong></td>
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How do we monitor the strategies and know when a scenario outcome is developing? We can use the outputs from section “What do these scenarios mean for my business?” to develop a set of indicators which will act as signals for the elements of each scenario unfolding. Indicators should look at consumer behaviour (are customers confident or insecure?) and your business operating environment (is it open and accessible or restricted and closed?) You might want to consider some of the following as indicators:

- Booking data
- Changing profile of enquiries
- Changes to operating guidelines and regulations
- News articles
- Observations from colleagues, suppliers, competitors
- Updates from industry organisations, destination groups and public bodies

Having developed your series of indicators or signals to follow, you can perhaps plot your interpretation of these on the chart on the following page to determine where your business is among the possible scenarios.
Monitoring the strategy

Plot your interpretation of your series of indicators or signals on the following chart to determine where your business is among the possible scenarios. This isn’t an exact exercise and it can be based on best guesses and gut feel. You can also use the indicators to “horizon scan” and estimate based on any forward-looking data you have, what may be going to happen and determine which scenario is next most likely to happen.

SCENARIO ONE:
The baseline scenario

SCENARIO TWO:
The old normal

SCENARIO THREE:
Doors Open

SCENARIO FOUR:
Long chill

SCENARIO FIVE:
Five Winters

My Indicators
The following are sources of information, insight and business advice and support which you may find useful:

**Industry support**

VisitScotland.org provides a one stop shop for everyone involved in tourism. Our site:

- Hosts up to the minute industry-leading research, advice, support and platforms that are easy to find, digest and use.
- Dedicated advice and information on Coronavirus (COVID-19) such as government and sector guidance, financial support, frequently asked questions, our response to COVID-19 and all the latest from STERG.
- We monitor the impact that COVID-19 is having on our industry, consumer behaviour and tourism globally, so that we can all adapt.
- Take a look at our planned marketing activity and get advice on how to make the most of it within your own business.
- Our visitors – deep dive insights into our UK and overseas visitors.

VisitScotland’s experienced team of Industry Relationship Managers provide dedicated tourism industry advice and can be reached at business.advice@visitscotland.com to help with any questions you have about business operations or marketing at this time.

**Financial support advice**

Contact the dedicated Scottish Enterprise business support line on 0300 303 0660. Open Monday — Friday between 8.30am and 5.30pm. Visit FindBusinessSupport.gov.scot

**Stay up to date**

Know what’s going on with the latest regional and national tourism news by signing up to VisitScotland’s Tourism Insider newsletter at visitscotland.org/news/newsletter-sign-up.

Stay in touch with the latest from VisitScotland on LinkedIn or Twitter.
The Scottish Tourism Emergency Response Group (STERG) is a cross agency group, chaired by VisitScotland, created to respond to the COVID-19 crisis. STERG’s immediate priorities are to support tourism businesses to recover from this unprecedented situation.

STERG has been working on a single, joined-up, phased plan to respond to current issues but also how the industry could recover once lockdown is eased. The scenarios presented within this toolkit were created in response to requirements from STERG to contribute to recovery planning.

STERG consists of VisitScotland, the Scottish Tourism Alliance (STA), The Convention of Scottish Local Authorities (COSLA), Scottish Enterprise, South of Scotland Enterprise, Highlands and Islands Enterprise, Skills Development Scotland and the Scottish Government.

Read more on VisitScotland.org