

Co+operate for growth

Growing Scotland's tourism sector



Why co-operate?

Tourism is one of the key building blocks of the Scottish economy, generating more than £4bn in annual visitor spend.¹

But it is a hugely fragmented industry. There are more than 20,000 businesses across many locations. By collaborating formally through co-operative business models, tourism operators can widen their reach, improve productivity and achieve many cost advantages associated with larger enterprises.

Employee ownership can provide a succession planning solution to the many tourism operators who are small family businesses, supporting their long-term sustainability.

Co-operation allows tourism operators to pool resources and grow without having to increase staffing, property or investment. Co-operative business models are frequently used to:

- + Grow income and reduce costs by collectively purchasing, processing and selling
- + Access new markets and bid for bigger contracts
- + Safeguard the future of the business and its employees
- + Increase productivity and innovation through employee involvement

What are co-operatives?

Co-operative businesses are owned and controlled by their members, who may be employees, businesses or consumers. They are set up to meet shared needs and are run on a democratic basis. Employee ownership is a particular form of co-operative working in which the employees own some or all of the company's shares and influence the running of the business.

Are co-operatives an effective way of working?

A combination of shared ownership and employee/member participation delivers superior business performance and sustainability. Decisions are taken in the long-term interests of the employees/members, rather than external stakeholders. Agreeing formal processes/systems at the outset minimises governance requirements.

How do I identify the right partners?

Co-operative businesses thrive where the members have:

- + Common goals, such as growing revenues or enhancing profile to win new business or secure favourable supply terms
- + Similar or complementary products and services which can benefit from the many cost advantages associated with larger enterprises
- + Shared interests and values, such as ethical trading

Many co-operative partners were already working together in an informal capacity before deciding to set up their co-operative.

Proven business models

Tourism operators can benefit from a number of co-operative business models:

Co-operative consortium – a collaboration of businesses who want to buy, produce and sell more effectively, while retaining their individual brands, independence and control. Often the consortium model is used to reduce costs, share risks, access new opportunities or introduce new processes requiring scale. Maximising the benefits from many of these opportunities may not be possible for an informal grouping and hence the benefits of a structured co-operative model.

Employee owned businesses – are businesses in which the employees, rather than external shareholders, hold the majority of the shares and control. Employee buyouts allow exiting business owners to receive a fair price while securing the future of the business and its employees. The business is usually acquired on behalf of the employees by an employee benefits trust. A category of employee ownership is the **Worker co-operative** that operates on a democratic basis, often with an emphasis on sharing information and strong ethical standards.

Consumer and community co-operatives – are owned by their customers or members to provide goods and services. These can include sports facilities, visitor attractions, shops and pubs.

Co-operative opportunities

“There is an increasing collaborative ethos in the tourism industry and this should be exploited by supporting more firms to formalise their business models to promote place, products, achieve scale and gain purchasing power.” **Ekosgen**

Research³ commissioned by Co+operative Development Scotland (CDS) indicates opportunities for the formation of new tourism co-operatives in five key areas:

Place promotion – using co-operative business models to support any destination in Scotland where there is a collective need or desire for joint marketing and promotion.

Product promotion – consortium co-operatives are effective business models for formalising tourism collaboration around products such as food, forestry, golf, water sports, cycling, business tourism, history and heritage.

Training and skills – using the collective purchasing power of consortium co-operatives in the same place or product area to invest in skills and training that members may not have been able to purchase independently.

Employee ownership – employee buyouts allow exiting owners to sell tourism businesses to their staff, ensuring employment and wealth creation is retained in the local community.

Collaborative supply chains – consortium co-operatives can achieve cost advantages through collective purchasing and processes. For example, joint booking or procurement of supplies.

Fact:

Between 1992 and 2008, the Employee Ownership Index outperformed the FTSE All-Share by 200%.²

“What the businesses are telling us is that their footfall has increased and their take at the tills has gone up as a result of the activities that we have been promoting.”

Gordon Matheson,
Merchant City Tourism &
Marketing Co-operative

² UK Employee Ownership Index, Field Fisher Waterhouse LLP

³ CDS: Baseline Position for Scottish Co-operative Sectors, Ekosgen, January 2010

CASE STUDY: Consortium

Merchant City Tourism & Marketing Co-operative

Merchant City Tourism & Marketing Co-operative is a consortium co-operative of 180 businesses in Glasgow's historic Merchant City, including bars, restaurants, theatres, visitor attractions, shops and music venues. Since receiving start-up advice from CDS, joining forces has allowed the members to pool marketing resources. They have created a brand, a website, merchandise and a marketing plan to attract more people to the area. Co-operative member Guy Cowan of Guy's Restaurant says: "If we all pull in the same direction, the area will benefit and individual businesses will benefit from our co-operation."

CASE STUDY: Consortium

Harris Tweed Artisans Co-operative

Harris Tweed Artisans Co-operative was set up by ten artisan businesses in the Outer Hebrides making products from Harris Tweed. Collaborating has helped the members share the cost of marketing and exhibiting their products. CDS helped set up the co-operative by providing support through one of its specialist advisers.

CASE STUDY: Consortium

Farm Stay UK

Farm Stay UK is a consortium co-operative of farmers offering farm-based tourist accommodation throughout the UK. It has 65 members in Scotland and 1,200 across the UK. The co-operative was formed in 1983 to promote the concept of farm tourism and to help members diversify their income and expand their businesses. Farm Stay UK is run by a board with 11 regional directors plus a chairman. A chief executive and three staff manage the business. An annual conference/AGM and separate regional and local meetings give members the chance to get together.

INTERNATIONAL CASE STUDY: Consortium

Legacoop Tourism

Legacoop Tourism is part of Italy's largest co-operative association and represents around 350 associated co-operatives. These include 15 consortia of hoteliers; incoming and outgoing tour operators; numerous workers co-operatives which manage hotels, hostels, camp sites, holiday homes and mountain refuges; farming and fishing co-operatives offering rural breaks; social co-operatives specialising in travel for disadvantaged or disabled people and co-operatives offering packages such as wildlife, eco-tourism, school trips, trekking and travel.⁵

CASE STUDY: Consumer Co-operative

The Co-operative Travel

Part of The Co-operative Group, The Co-operative Travel is a consumer co-operative and the UK's largest independent travel services provider. The business includes over 400 high street travel agencies, a business travel operation, call centres, a specialist cruise operation and more than 600 travel homeworkers.



Fact:

Co-operatives in Scotland make a significant contribution to Scotland's economy, employing 28,600 and producing just over £4billion in turnover.³



Myth

"Co-operatives don't perform"

Not True. The survival rate of co-operatives after five years is 64%, compared to 36% for investor-owned firms.⁴

⁴ British Columbia Co-operative Association

⁵ International Association of Tourism Co-operatives

How can we help?

CDS's role is to provide specialist advice to new and growing co-operative and employee owned businesses to complement the mainstream support provided by Scottish Enterprise, Highlands & Islands Enterprise and the Business Gateway. CDS support includes:

- + Exploring the options
- + Structuring the company
- + Financing the business
- + Developing member participation

Co-operative Development Scotland operates across Scotland and is a subsidiary of Scottish Enterprise. CDS works in collaboration with SAOS, Scotland's development organisation for farmers' co-operatives.

Contact us today on 0141 951 3055

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You can also visit us online at www.cdscotland.co.uk

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