Diversification opportunity for B&M Chilman, New House Farm

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Executive Summary

This report is based on a diversification plan prepared for B&M Chilman. The business is located at New House Farm, Kinsham, North Herefordshire. They have limited experience outside the direct farm activities with no previous diversification projects developed on the farm. The family have recently purchased approximately 15.29 hectares of outlying land 2.4km away from the existing farm buildings. They have instructed that they intend to enter the glamping market to provide an income stream capable of justifying the initial land investment.

In the right places, done well, opportunities will arise in the UK holiday market and the reluctance to go abroad is staying for another few years as domestic holidays continue to recover to pre-pandemic levels. The Glamping industry has certainly gained from Covid-19 as people look for shorter term holidays. Couple this with a rise in disposable income, the younger generation of millennials are starting to explore the countryside more through Glamping, along with their pets too. Pet friendly Glamping properties have experienced a 23% rise in booking since 2019, an area of the market that may not have been fully explored by property hosts.

Competition within the market appear right on the doorstep with two Glamping setups within five miles of the proposed site. Both set a high standard with hot tubs, log burners and beautiful locations, any rival development will have to go all out to keep up as the millennials continue to want more. However, prices between the two differ, by £47 which is a lot in the local market, because of access being only by foot to the one site.

The market research highlighted the following key customer requirements:

- Scenic, tranquil location, 'back to nature', with private spaces and outdoor seating
- Growing standards of luxury, WiFi and Netflix (unless advertised as digital detox)
- Cosy accompaniment; Hot tubs, log burners, fire pits (helps extend the season)
- Accessibility (less of a trend, more as awareness has grown)

It was also noted that no competitor providing a bed in the five mile radius offered pet-friendly accommodation, which is the market penetration strategy recommended to help this project succeed in the early years.

The block of ground was deemed viable and construction costs of approx. £128,500 were proposed, with large expenditure on access, electricity and the pods themselves.

The marketing strategy was compiled to identify the customer profile of a millennial, building a brand around the customer which focused on pet-friendly accommodation. The diversification must then be strategic in how it is marketed with use of social media and online booking platforms especially important.

A pricing strategy was devised based on market research of other properties within the area and seasonal demand.

- January – March £120/night
- April £150/night
- May – August £160/night
- September £150/night
- October – December £120/night

It was noted that full planning permission would be required to change the land use away from agriculture. Once obtained, an estimate of 6 months was calculated to finish the build, depending on pod and contractor availability.

While there is expected to be little impact financially on the existing business, or on its human and physical resources, future proofing must be considered within the market as little sell on or recycle value can be obtained from the structures once in place.

Glamping will continue to be dependent on exchange rates, disposable income, domestic tourism and climates and hence the importance of following trends cannot be understated.

The current business proposal is based upon occupancy rates kindly provided by Mr J. Rogers from Highfield Hideaways, a local competitor. Once fully operational, profit before tax is estimated at £30,992 with two pods, making return on investment 23% (under five years) before sensitivity analysis.

Once operational, positive cash flows follow and it is therefore advised that the business proceeds with the diversification into Glamping. However, future trends into sustainability and winter occupancy rates will be crucial in long term success to continue generating cash flow for the self-reliant business.

1.0 Introduction

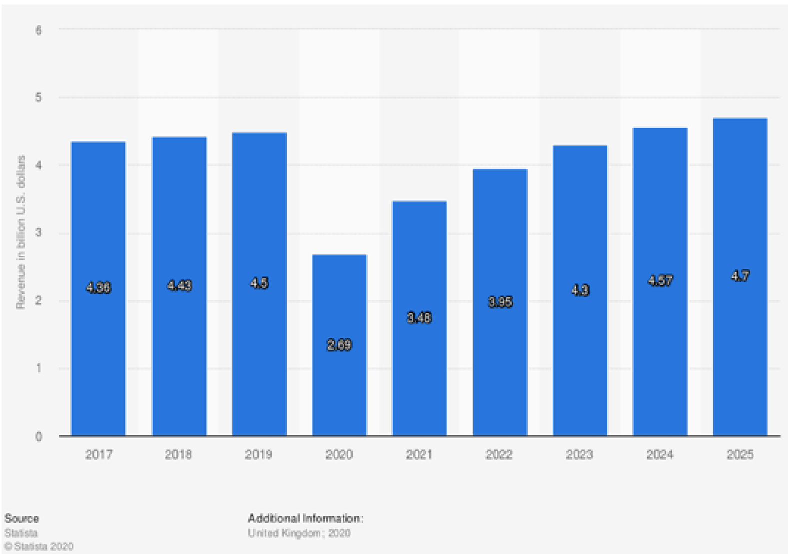
Over one third of farmers reported using their land for non-farming activities in 2021 with the most popular source of diversification seen in holiday accommodation, accounting for 12% of farms surveyed by NFU Mutual[1].

B&M Chilman have instructed for a Glamping diversification proposal to be explored on a recently purchased block of land. The business shows robust financial accounts capable of funding investment from cash reserves but states an upper limit of £150,000, the need for the project to be viable once fully operational and that a minimum 8-year payback period is achieved. While currently there is a limited skillset for the accommodation sector, the family remain keen to explore alternative income streams post Brexit for the business outside of the current farming enterprises.

2.0 Market Overview

2.1 UK Holiday Market Research

Covid-19 restrictions on foreign travel brought about the 'staycation boom' for British holidaymakers in the last two years. Visit Britain (the UK national tourism board) statistics estimated £56.2 billion in domestic tourism spend for 2021, up 65% compared to 2020, but still just 61% of the pre-pandemic level spending seen in 2019[2]. Figure 1 highlights the latest Statista data that revenue across all travel and tourism segments will continue to increase and by 2024 reach pre-pandemic levels[3], critical to an industry as reliant on domestic tourism as glamping[4].



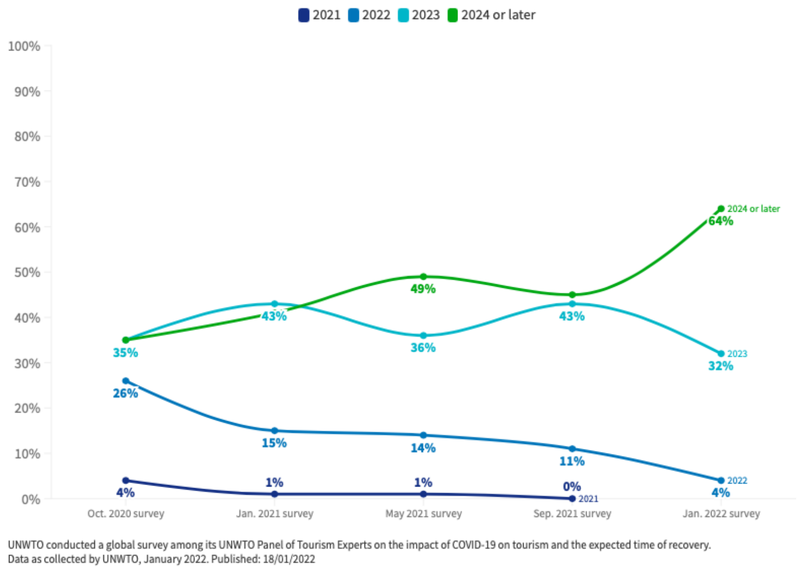
(Source: Statista, 2021)

Figure 1: Total UK holiday market revenue 2017-2025

[1] (NFU Mutual Diversification Report, 2021)
[2] (Visit Britain, 2021)
[3] (Statista, 2022)
[4] (IBIS World, 2021)

The pandemic has instead changed demand for UK locations. A report from the think-tank the Resolution Foundation, displayed significant increases in rural and costal destinations at the expense of city breaks[5]. Further demand has surged for certain types of holiday accommodation with campsites and self-catered rentals benefiting most, increasing to a 10 year high[6], at the expense of the UK hotel sector.

With such uncertainty, long term trends are hard to predict, however the demand currently for UK domestic holidays look set to continually increase in the short term because of still limited appetite for international travel. This is demonstrated in figure 2 with research by the United Nations estimating tourist confidence for international travel will most likely not recover to pre-pandemic levels before 2024[7].



(Source: United Nations, 2022)

:Figure 2: Global survey of tourism experts on the expected time of recovery for international tourism to return to pre-pandemic levels of 2019

Furthermore, the UK government has focused on investment in domestic holiday marketing with a tourism recovery plan[8], infrastructure and transport as well as the restructuring of tourism organisations[9] to extend the legacy of staycations post-pandemic.

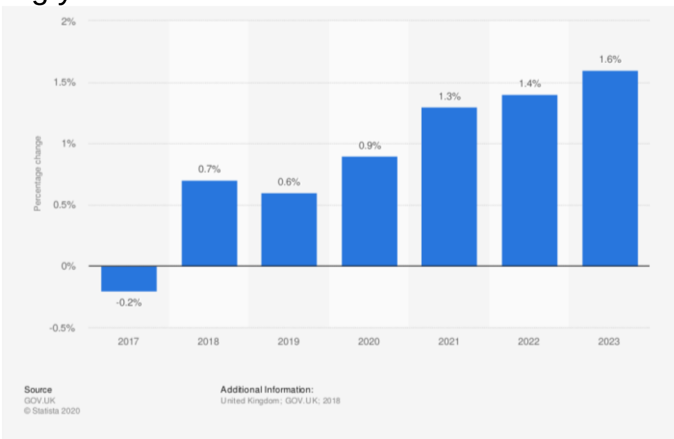
A key future trend will be the growth of ethical consumers, conscious of the environmental impact their holidays are having, this being to the benefit of domestic travel. 26% of all UK adults now consider the environment to be a higher priority than before the pandemic[10]. This will provide opportunities to nature based holiday

[5] (Resolution Foundation, 2021)
[6] (Mintel, 2021)
[7] (United Nations World Trade Organisation, 2021)
[8] (Gov.UKa, 2021)
[9] (Gov.UKb, 2021)
[10] (Mintel, 2021)

options to develop brands around sustainability and offer more information at the point of sale.

2.2 UK Glamping

Glamping often caters to higher-income customers as a result of the added luxury provided when compared to camping or caravanning[11]. Therefore, as seen in figure 3, the continued rise in UK disposable income suggests a positive trend for the industry in the coming years.

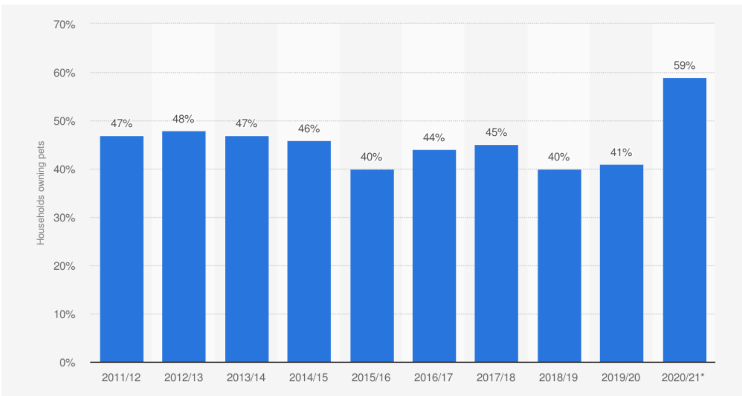


(Source: Statista, 2020)

Figure 3: Forecasted percentage change for real household disposable income in the UK from 2017 to 2023

Post pandemic, shorter stay holidays have become more popular, with Statista estimating people are 17% more likely to take 1-3 night breaks, as opposed to four days or more[12]. Glamping lends itself towards this trend better than much other self-catered accommodation, particularly holiday cottages, often due to reduced turnaround time and cost.

Glamping has typically become popular with younger people, targeting more image-conscious consumers who want adventure holidays[13]. During the pandemic, pet ownership jumped by 18% as seen in figure 4, with 59% of these new pet owners being Generation Z and millennial groups[14]. This has been further illustrated with pet-friendly glamping properties experiencing a 23% increase in 2021 when compared to 2019[15].



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[11] (IBIS World, 2021)
[12] (Statista, 2022)
[13] (IBIS World, 2021)
[14] (IBIS World, 2021
[15] (Mintel, 2021)

(Source: Statista: 2022)

Figure 4: Share of households owning a pet in the UK from 2011/12 to 2020/21

2.3 Herefordshire Tourism

A summary of appendix 2 is presented below.

(Source: Visit Herefordshire, 2020)

Figure 5: Rural Herefordshire, similar topography to the proposed site

The rural location of Herefordshire is a limiting factor with poor infrastructure and transport leading to challenges with accessibility. However, it therefore provides the peaceful attraction and natural backdrop to potential customers wanting the Glamping and nature trail experience, lending itself to more all year round tourism as opposed to a seasonal resort[16].

[16] (Herefordshire Council, 2018)

2.4 Competition

Further information on all main competitors, appendix 3, and similar accommodation with a wider area can be found in appendix 4, summarised in table 1.

Table 1: Summary of the main competitors within a five mile radius of the proposed site with comments and occupancy rates.

Name, Location and Type	Pricing Structure	Services Provided	Availability (No. days free in June+July)	Comments
HighField Hideaways (3 miles) Glamping (Sleeps 2)	£175/night Peak £128/night off Peak	Kitchen, TV, Garden, Hairdryer, WIFI, Washing Machine, Log burner, Hot Tub	34/61	A fresh site last summer, Highfield have launched their business into the glamping market with a shepherds hut located in and around water and innovating landscaping. Finished to a very high standard, the overall appeal is high, worryingly the occupancy rate is not at a fantastic level yet, just 45%, still time in the year though. Hot tub is noted as a key plus point.
Secluded Shepherd Hut (5 miles) Glamping (Sleeps 2)	£128/night Peak 109/night off Peak	Valley view, waterfront, Private hot tub, indoor log burner, Kitchen, TV	43/61	Very nice shepherd hut, recently installed, secluded location amongst forestry and Infront of a pond. Private hot tub again well mentioned, along with the log burner in the reviews as a big selling point, however, access to the hut is only by foot, noted as a possible issue, perhaps explains the occupancy rate just falling behind.

(Sources: Airbnb, 2022; Booking.com, 2022; Canopy and Stars, 2022; Cool stays, 2022; Authors own, 2022)

Analysis of appendix 3 and 4, the direct and related competition, highlights the primary need for the diversification to be advertised online, be pet friendly, offer hot tub facilities and be constructed to a high standard. Secondary requirements include a scenic view, good access and available basic amenities of water and electricity.

2.5 Market Penetration

The market appears to be maturing within the local area so an effective penetration strategy may determine the investment success. The market research has highlighted the following key customer requirements[17]:

- Scenic, tranquil location, 'back to nature', with private spaces and outdoor seating
- Growing standards of luxury, WiFi and Netflix (unless advertised as digital detox)
- Cosy accompaniment; Hot tubs, log burners, fire pits (helps extend the season)
- Accessibility (less of a trend, more as awareness has grown)

The research further highlighted limited pet-friendly availability remains the main selling point absent from the market. This would be advised as the main form of penetration to be utilised to gain access to the sector as the pet ownership trend continues to grow[18].

3.0 Size and Scale of Potential Venture

3.1 Potential Customers

Herefordshire's five most popular inbound travel destinations are Bristol, Birmingham, Oxford, Cardiff and Liverpool, responsible for over two thirds of overnight tourism in the county[19]. Within these cities the population is 2.747 million[20]. With 21.2% of the UK population being millennials[21][22], it is therefore calculated 582,364 live in these five cities.

Using previous tourism records, it is estimated 7% of this population travel to Hereford for Glamping[23]. While tourism figures in the region have been falling, the pandemic, as mentioned earlier, is expected to have helped steady this trend and coupled with Herefordshire Council ongoing tourist investment and updated tourism forecasts[24], boosted it towards 8%. As a result, 46,589 visitors of the direct Glamping target market group to Herefordshire can be expected, which given the poor tourism in the region, is satisfactory.

This data can be compared against previous statistics with Herefordshire receiving on average 194,000 holiday trips a year between 2017 and 2019[25]. The average holiday trip to the county contains 3.29 people[26], resulting in approximately 638,260 total tourists visiting the area. Of these trips, 25% stayed in self-catered accommodation[27] resulting in 159,565 people. Herefordshire council estimated that pre-pandemic around 45% of these stays were made in glamping accommodation[28], leaving 71,804 total people in glamping accommodation, 25,215 people that did not fall into the target group.

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17 (IBIS World, 2021)
18 (Mintel, 2021)
19 (Visit Herefordshire, 2022)
20 (Eurostat, 2022)
21 (Statista, 2021
22 (ONS, 2021
23 (Visit Britain, 2021)
24 (Hereford Council, 2018)
25 (Visit Britain, 2021)
26 (Visit Britain, 2021)
27 (Hereford Council, 2018)
28 (Hereford Council, 2018)

3.2 Proposed Diversification

The market research highlights the need for high end glamping, with customers expecting the best. To ensure this, extensive site works (mainly for access) and utility connections need to be sought after. To justify this cost, it is recommended two glamping pods are initially constructed, with the opportunity to add a third based on performance.

(Source: Visit Herefordshire, 2022)

Figure 6: Glamping Pod similar to the proposed diversification

The pods will be constructed with extensive fixture and fittings, TV, WiFi, log burning stove, hot tub and spacious outdoor seating. Crucially, as identified in market research, all pods will be dog friendly to target that growing market.

(Source: Visit Herefordshire, 2022)

Figure 7: Inside view from a similar glamping pod to the proposed diversification

3.3 Construction Costs

The initial start-up costs of the site have been estimated at £128,500 as listed in table 2. Detailed assumptions and quotes are stated in appendix 5.

Table 2: Itemised description of start-up costs for Glamping at the proposed location

Item	Cost	Quantity	Total Cost
Glamping Pod	£30,000	2	£60,000
Additional extras	£5,000	1	£10,000
Landscaping, drainage and access	£30,000	1	£30,000
Electricity and Water	£24,000	1	£24,000
Planning Permission	£2,000	1	£2,000
Website and Marketing	£1,500	1	£1,500
Decking and Outdoor Furniture	£500	2	£1,000
		Total	**£128,500**

(Source: Authors Own, 2022)

3.3 Location

The recently acquired land is 37.8 acres, a mixture of permanent grassland and woodland situated a mile from the existing farm. Access is provided via a stone roadway that feeds down into isolated scenic views in front of the River Lugg. There are multiple potential locations to situate the pods, however towards the east, as seen in figure 8, would be recommended for practicality and to allow the rest of the ground to be commercially viable.

(Source: Digimap, 2022)

Figure 8: Proposed land for the diversification at 1:5000 scale

4.0 Marketing Strategy

The diversification is revolving around high quality Glamping experience, in a beautiful location, that is pet friendly. Repeat custom is usually uncommon in Glamping, however, if the proposal can allow people and their pets to feel welcomed, safe and relaxed, it may break that mould with top tier customer service.

4.1 Customer Profile

Inner city millennials have been identified as the customer profile, likely to have a pet that they want to exercise and enjoy the countryside with. Expects top quality Glamping experience and tranquil environment, however, relies upon modern day luxuries to get by.

4.2 Building a Brand

A brand should be built around pet friendly Glamping, a key penetration area within the market to encourage initial occupancy levels. This differentiates from the competition and allows customers to recognise the selling points. Engaging social media and a professional website should aid this by showcasing what is on offer, focus on high quality images, concise texts and clear booking instructions. 95% of Brits made a holiday choice based by online influence in 2020[29].

4.3 Sustainability

The sustainable nature of the holiday must be marketed with the lower environmental impact that domestic Glamping offers. Over one third of adults considered environmental impacts when booking their holiday in 2021[30].

4.4 Taking Bookings

Airbnb and Booking.com should be utilised to take bookings. These sites will help widen the potential market with ABTA reporting that 82% of Brits booked their holiday online in 2019[31]. While a fee is associated, the cost of marketing a personalised website to the same level of online exposure, will likely outweigh the benefit. Both sites do operate review systems, fantastic if positive, a potential disaster should things go wrong, often imperative to business success with 60% of people relying upon them for holiday accommodation booking[32].

4.5 Pricing Strategy

The pricing strategy of competitors were analysed in appendix X, allowing for a competitive price to being calculated in comparison to services provided.

- January – March £120/night
- April £150/night
- May – August £160/night
- September £150/night
- October – December £120/night

29 (ABTA, 2020)
30 (Which, 2021)
31 (ABTA, 2020)
32 (Statista, 2020)

Prices will remain at a flat rate between those periods at stated price to begin. Dependent on occupancy rates, it would be advised to revisit this structure every 3 months. These prices should account for the extra cleaning costs associated with pet-friendly accommodation. Potential increases to peak rate for valentine's day and Christmas would be advised.

5.0 Other Considerations

5.1 Planning Requirements

Any change of use from agriculture needs planning permission and glamping is no different with full detailed planning permission required for permanent or temporary pods and structures[33]. While the General Permitted Development Order 2015 s3 allows some small scale camping and glamping under permitted development rules, to comply the business must not operate for more than 28 days of the year. However, to create an economically sustainable business in the location, full detailed planning permission must be obtained allowing the site to be open for as much of the year as possible as well as installing utilities and groundworks.
Further planning information can be found in appendix 6.

5.2 Amenities

Water, electricity and groundworks will be required, all quotes are subject to VAT. Please see appendix 7 for details and options available for quotes.

- Water supply installation, approx. £4,000 or £12,500 (with borehole)
- Electricity supply installation, between approx. £15,000-£20,000
- Groundworks, approx. £30,000 (including access, sewage, landscaping and drainage work)

Note: Potential to save around £20,000 of the groundwork costs through the Mid-Tier grant for roadways in which this ground sits. For the purpose of the appraisal, the grant was not included. See appendix 8 for further information.

5.3 Business Setup and VAT

The diversification will be set up as a separate non VAT registered business in a partnership format between the existing partners of B&M Chilman. As the total turnover will not exceed £85,000, this will not impact VAT registration. Solicitors should be involved to check business structures and responsibilities are clearly stated.

Business rates will apply if the properties are available for rent for more than 140 days a year, however, small business rate relief will be available if the rateable value of the property is less than £15,000[34].

5.4 Insurance

Consult with insurers when designing the site, their experience can help outline site plans and potential issues early on, rather than expensively added on later to satisfy safety concerns. Public liability insurance will be required as a result of inviting people onto the site to cover against damages to themselves or their belongings.

[33] (Savills, 2019)
[34] (Gov.UK, 2022)

Further employee liability insurance will be needed if someone is employed or for family to clean and maintain the site. Additionally, product liability, business interruption and cyber risk insurance can all be considered.

5.5 Future Competitors and Considerations

Future proofing the business can be aided by careful review and monitoring of performance, identifying new trends and acting accordingly to what the consumer wants. The main threat will be the addition of Glamping properties on the already established sites that may impact the market penetration this venture can achieve. Glamping will continue to be dependent on exchange rates, disposable income, domestic tourism and climates[35]. With low resale value and little multi-purpose uses, the exit strategy for pods will be limited, making the initial investment decision even more important.

6.0 Considerations for the Core Business

Physical impacts on the core business

The diversification will take away approx. 10 acres of ground from agricultural production. This will not greatly impact the business with low productive land being taken out of production.

Impact on the human resources

B&M Chilman would be heavily impacted by the human resources should the cleaning and maintenance work be undertaken in-house. However, as stated, this is unlikely and therefore the employment of someone, as budgeted for, to undertake this would not impact the human resources greatly, with management of the bookings being worked into the existing routine.

Financial impact

The venture is set to use up existing cash reserves which the client instructs will not greatly impact their business as it still has the ability to borrow capital, should another investment opportunity arise.

[35] (IBIS World, 2021)

7.0 Financial Viability

For more detail and relevant assumptions, please see appendix 10, 11 and 12.

7.1 Sales Forecast

From the date planning permission is granted, Glamping should be available for booking in 6 months' time, potentially starting in Autumn 2022.

Occupancy rates for sales forecasts are based on data kindly granted by Mr J. Rogers at Highfield Hideaways from their first summer and autumn of trading, averaging 65% peak occupancy, full details in appendix 9.

Sales forecasts for the first full year of trading project £48,668 for the two pods with the target and penetration marketing predicting a strong first year of sales based on the research. Further strong years follow but are expected to then return to an average.

Table 3: Occupancy rates for the proposed glamping business first five year of trading

Occupancy Rates	Year 1	Year 2	Year 3	Year 4	Year 5
January	0%	30%	35%	30%	30%
February	0%	35%	35%	35%	35%
March	0%	35%	35%	35%	35%
April	0%	45%	50%	45%	45%
May	0%	65%	65%	65%	65%
June	0%	65%	65%	65%	65%
July	0%	65%	70%	65%	65%
August	0%	65%	67%	65%	65%
September	0%	45%	50%	45%	45%
October	15%	35%	35%	35%	35%
November	20%	35%	35%	35%	35%
December	25%	35%	40%	35%	35%

(Source: Authors Own, 2022)

7.2 Finance Required

As stated previously in table 2, the capital costs required are £128,500. A capital contingency of 10% is also included to allow for any overspends taking the total to **£141,350**.

7.3 Financial Performance Index

Table 4: Profit and Loss account for the proposed diversification

Sales	Year 1	Year 2	Year 3	Year 4	Year 5
January	£0	£1,116	£1,296	£1,116	£1,116
February	£0	£1,176	£1,176	£1,176	£1,176
March	£0	£1,296	£1,296	£1,296	£1,296
April	£0	£2,025	£2,250	£2,025	£2,025
May	£0	£3,200	£3,200	£3,200	£3,200
June	£0	£3,120	£3,120	£3,120	£3,120
July	£0	£3,200	£3,472	£3,200	£3,200
August	£0	£3,200	£3,323	£3,200	£3,200
September	£0	£2,025	£2,250	£2,025	£2,025
October	£540	£1,302	£1,302	£1,302	£1,302
November	£720	£1,260	£1,260	£1,260	£1,260
December	£930	£1,302	£1,488	£1,302	£1,302
Total	**£2,190**	**£24,222**	**£25,433**	**£24,222**	**£24,222**
For 2 pods	**£4,380**	**£48,444**	**£50,866**	**£48,444**	**£48,444**
Costs					
Electricity	£1,040	£1,040	£1,040	£1,040	£1,040
Water	£1,040	£1,040	£1,040	£1,040	£1,040
Heating	£1,040	£1,040	£1,040	£1,040	£1,040
Labour	£4,992	£4,992	£4,992	£4,992	£4,992
WiFi	£260	£260	£260	£260	£260
Laundry	£2,080	£2,080	£2,080	£2,080	£2,080
Total	£10,452	£10,452	£10,452	£10,452	£10,452
Net profit	**-£6,072**	**£37,992**	**£40,414**	**£37,992**	**£37,992**
Depreciation	**£7,000**	**£7,000**	**£7,000**	**£7,000**	**£7,000**
Profit before Tax	**-£928**	**£30,992**	**£33,414**	**£30,992**	**£30,992**

7.4 Cashflow

Table 5:: Cash flow for the proposed diversification

	Year 1	Year 2	Year 3	Year 4	Year 5
January	£0	£372	£552	£372	£372
February	£0	£432	£432	£432	£432
March	£0	£552	£552	£552	£552
April	£0	£1,281	£1,506	£1,281	£1,281
May	£0	£2,456	£2,456	£2,456	£2,456
June	£0	£2,456	£2,376	£2,376	£2,376
July	£0	£2,456	£2,728	£2,456	£2,456
August	£0	£2,456	£2,579	£2,456	£2,456
September	£0	£1,281	£1,506	£1,281	£1,281
October	-£204	£558	£558	£558	£558
November	-£24	£516	£516	£516	£516
December	£186	£558	£744	£558	£558
Total	**-£42**	**£15,374**	**£16,505**	**£15,294**	**£15,294**
For two pods	**-£84**	**£30,748**	**£33,0101**	**£30,588**	**£30,588**

With all cost being covered by the existing business, the initial losses are agreed and willing to be accepted for the future gains.

7.5 Sensitivity Analysis

See appendix 12 for full sensitivity analysis on proposal. A rise in sales of 10% is worth just over £3,000 to the business, with a loss of 10% sales hampering first years trading cash flow, but not making the business proposal unviable.

8.0 Conclusion

The market research coupled with the financial data states a strong proposition for the site. With potential 5 year returns and pre-tax profits of £30,992, the economic viability is sound. However, some caution must be stated, as shown by the sensitivity analysis, with around £3,000 being sacrificed if sales volumes fall by 10%, stating the impact that can be made.

It is advised that B&M Chilman continue with the investment, however, ensure they fully understand the capital cost implications and continually monitor the market to stay up to date with the latest consumer trends. Winter Glamping occupancy rates will be key to success, along with pet-friendly accommodation and sustainable holidaying, all being top priorities going forward.

References

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Appendices

Appendix 1 – UK Holiday Glamping

UK staycation was potentially over hyped as UK domestic holidays were already popular pre-pandemic. People have instead adjusted to their holiday location, exploring new areas and opening new holiday markets in the process.

Appendix 2 – Herefordshire Tourism

North Herefordshire features the historic market towns of Leominster, Ludlow and Kington, all with links to the famous Offa's Dyke path and providing valuable tourism to the area. Herefordshire generated £4424 million in tourism in 2017, supporting 6,688 jobs. While the county cannot compete with seaside locations, it instead cant target shorter break holiday makers, utilising natural landscape and heritage with the beauty of the River Wye being a real tourist destination. This tourism can be promoted all year round, unlike seaside locations making it less of a seasonal resort, increasing year round occupancy rates.

On average, between 2017 and 2019, 194,000 holiday trips were made to Herefordshire, 29% less that in 2010 and the fourth lowest of all English counties[36]. Tourists stayed a total of 649,000 nights in the region[37] leaving the average trip duration at 3.35 nights, highlighting the shorter stay, retreat break tourism that is favoured. Within that time frame, 2018, £44 million was spent on overnight holiday accommodation in Herefordshire[38], the sixth lowest in England and resulting in an average of £67/night.

[36] (Visit Britain, 2021)
[37] (Visit Britain, 2021)
[38] (Herefordshire Council, 2018)

Appendix 3 – All direct competition within a 10 mile radius (providing a bed for two)

Within a five mile radius of the proposed site, nine competitors are situated, all providing accommodation for two people. All Glamping competitors are listed in table 1 along with details, occupancy rates and comments. Research shows increased competition with two glamping sites within this distance, both new builds and both finished to a high standard, with hot tubs, log burners, isolated valley views and water front locations. Differences in prices (£47/night) for these two glamping sites appear to be access dependent, highlighting the value that brings to the market.

All prices compared on same dates.

Name, Location and Type	Pricing Structure	Services Provided	Availability (No. days free in June+July)	Comments
The Cider Barn (2 miles) Holiday Cottage (Sleeps 2)	£150/night Peak £105/night Off Peak	Kitchen, TV, Hairdryer, WIFI, Washing Machine, Indoor fireplace	26/61	Newly refurbished cottage with very nice facilities and kitchen. The indoor fireplace is noted as being a much loved addition by customers in the reviews. Slightly limited on open spaces with no garden and next to a busy road which could be a limiting factor. However, occupancy rate is high and prices seem reasonable.
HighField Hideaways (3 miles) Glamping (Sleeps 2)	£155/night Peak £128/night off Peak	Kitchen, TV, Garden, Hairdryer, WIFI, Washing Machine, Log burner, Hot Tub	34/61	A fresh site last summer, Highfield have launched their business into the glamping market with a shepherds hut located in and around water and innovating landscaping. Finished to a very high standard, the overall appeal is high, worryingly the occupancy rate is not at a fantastic level as yet, just 45%, still time in the year though. Hot tub is noted as a key plus point.
Chic Rural Hideaway (3.5 miles) Holiday Cottage (Sleeps 2)	£146/night Peak £118/night off Peak	Kitchen, TV, WIFI, Washing Machine, Indoor fireplace	52/61	Holiday cottage that is a few years old and while it has been tastefully fitted out, it is more dependent on bookings thanks to its prime location, its main and only USP. Prices seem slightly high when compared to others.

Wood Cutters Flat (3.5 miles) Flat (Sleeps 2)	£65/night Peak £55/night off Peak	Kitchen, TV, Garden, Hairdryer, WIFI, Patio	59/61	A very basic flat, competitor in the regard that they supply a bed for 2 people, however, any glamping pod constructed should be a lot more up market than this. Telling signs in its occupancy rate, customers demand the best.
Suite 1 (3.5 miles) Flat (Sleeps 2)	£65/night Peak £55/night off Peak	Kitchen, TV, Hairdryer, WIFI, Patio,	45/61	Again a flat, again Presteigne location which would be its main appeal, limited competition but fitted out to a higher standard. Impressive outdoor dining area on a patio, perhaps the reason for the extra occupancy rates.
Greenfield Guest House (4 miles) Holiday Cottage (Sleeps 2)	£59/night Peak £50/night off Peak	TV, Garden, Hairdryer, WIFI, Indoor fireplace, Kitchen	37/61	Low end cottage, again getting buy with its location and the character of the property. Fitted out to a basic standard, location and character remain key along with a cheap price when compared to the flats.
Entire Cottage (4 miles) Holiday Cottage (Sleeps 2)	£128/night Peak £100/night oof Peak	Breakfast, Kitchen, TV, Garden, WIFI, Washing Machine,	52/61	Double the price of the previous Presteigne cottage, suffering for that with the low occupancy rate. Breakfast included perhaps aids appeal however does not look to be enough, unlikely to be worth the extra work.
Radnorshire Arms (4 miles) Hotel (Sleeps 2)	£110/night Peak £95/night off Peak	Breakfast, TV, Hairdryer, WIFI, Towels, Parking	55/61	Beautiful grade 1 listed black and white hotel in the middle of Presteigne, limited footfall and marketing perhaps limit occupancy rate, you have to go hunting to find it online.
Secluded Shepherd Hut (5 miles) Glamping (Sleeps 2)	£128/night Peak 109/night off Peak	Valley view, waterfront, Private hot tub, indoor log burner, Kitchen, TV	43/61	Very nice shepherd hut, recently installed, secluded location amongst forestry and Infront of a pond. Private hot tub again well mentioned, along with the log burner in the reviews as a big selling point, however, access to the hut is only by foot, noted as a possible issue, perhaps explains the occupancy rate just falling behind.

Blacksmiths Cottage (7.5 miles) Holiday Cottage (Sleeps 2)	£256/night Peak £N/A off Peak	Kitchen, TV, Garden, WIFI, Indoor fireplace, Parking	53/61	Top of the range cottage, externally managed to perhaps explain what appears to be a very expensive price, certainly not in keeping with the competition. Occupancy rates would appear to reflect that. Limited peak season booking may be a factor as well.
The Grannary (7.5 miles) Holiday Cottage (Sleeps 2)	£109/night Peak £83/night off Peak	Pets allowed, Kitchen, TV, Hairdryer, WIFI, Indoor fireplace.	50/61	The first pet-friendly property of the search, noted in the reviews that people have returned because of the secure garden and lack of alternative pet options in the area. Reasonably priced, tastefully fitted out. However, low occupancy levels, perhaps the lack of parking is holding this property back.
The Arbour (10 miles) Glamping (Sleeps 2)	£145/night Peak £124/night off Peak	Kitchen, TV, Hot tub, WIFI, Free Parking	51/61	Smart 3 year old glamping site. Limited numbers of guests as yet due to the pandemic. Hot tub, parking and TV all popular with the reviews, however slightly too close together for some peoples liking, more space may have aided occupancy rates.

Appendix 4 – Related competition within a 10 mile radius (sleeping two or more)

Name, Location and Type	Pricing Structure	Number of Guests	Services Provided	Availability (No. days free in June+July)
Lavender Cottage (3 miles) Holiday Cottage	£136/night Peak £113/night off Peak	Sleeps 4 2 bedrooms	Kitchen, TV, Garden, Hairdryer, WIFI, Washing Machine, Indoor fireplace, Pets allowed	35/61
Tranquil Heather Cottage (3.5 miles) Holiday Cottage	£185/night Peak £158/night off Peak	Sleeps 6 2 bedrooms	Garden view, Kitchen, TV, Netflix, Hairdryer, WIFI, Washing Machine,	57/61
Mortimer Trail Mews (6 miles) Holiday Cottage	£255/night Peak £180/night off Peak	Sleeps 4 Bedroom 2	Kitchen, TV, Garden, Hairdryer, WIFI, Washing Machine, Indoor fireplace,	45/61
Shobdon Airfield (9 miles) Caravan	£80/night Peak £50/night off Peak	Sleeps 4 2 Bedroom	Kitchen, TV, Garden, Hairdryer	61/61

Analysis of appendix 3 and 4, the direct and related competition, shows the primary need for the diversification to be advertised online, be pet friendly, offer hot tub facilities and be constructed to a high standard. Secondary requirements include a scenic view, good access and available basic amenities of water and electricity.

Appendix 5 – Proposed Diversification, Costings and Quotes

Item	Cost	Quantity	Total Cost
Glamping Pod	£30,000	2	£60,000
Additional extras	£5,000	1	£10,000
Landscaping, drainage and access	£30,000	1	£30,000
Electricity and Water	£24,000	1	£24,000
Planning Permission	£2,000	1	£2,000
Website and Marketing	£1,500	1	£1,500
Decking and Outdoor Furniture	£500	2	£1,000

Total	**£128,500**

The Glamping pods will be sourced by a company called WigWam. Quotes at approx. £30,000 for a fully kitted out 2 person pod, they advised the additional £5,000 in extras, including the all-important hot tub.

As quoted by two local groundwork companies, see below, the landscaping costs will be mainly towards access in and out of the site. Drainage and landscaping should be limited to ensure that natural character does not get lost.
Electricity and water, again see below for quotes, are as quoted by Weston Power and a local contractor, without the borehole option.
Planning permission is deemed to be relatively straightforward thanks to Herefordshire Councils increased push for tourism in the area. Consultation should not be required with the existing business possessing the skills sets to draw up the plans.

Website and marketing will be crucial to early uptake, the budget allows for an external company to take control of designing the website, DM Lab at Ludlow come recommended and quoted their services at £1,500 for initial start-up marketing included.

Decking and outside furniture was given a £250 allocation for each, multiplied up to supply for both pods.

Appendix 6 - Planning

Any change of use from agriculture needs planning permission and glamping is no different with full detailed planning permission needed for permanent or temporary pods and structures (Savills, 2019). The General Permitted Development Order 2015 s3 states that some small-scale camping and glamping is allowed under permitted development rules, providing the business does not operate for more than 28 days of the year. However, to create an economically sustainable business in the location, it would be advised full detailed planning permission was obtained allowing the site to be open for as much of the year as possible and on a larger scale than permitted development rules would allow.

Planning permission is also required to install utilities on the site. It would be advised that Herefordshire Council were consulted before utilitiy installation work commenced as they actively look to encourage the development of tourism within the area and support farm diversification. Organisations like the Wye and Usk Foundation, CLA or an array of local estate agents would all give expert opinion in that field should further advise be needed.

Glamping pods were applied for in 2018 by Mr J Rogers at Byton (Herefordshire Council, 2018), 1.7 miles away from the land, and this application therefore provides good guidance on what Herefordshire Council will take into account when reviewing planning permission. First of all they will look at the highways and access implications against the size of the site applied for.

The next consideration for Herefordshire Council will be whether the proposed site may have visual and landscape impacts. Glamping should require minimal disturbance to the landscape in an area that is well sheltered from public view. The land is also at an advantage as it is not subject to any special designations such as national parks or a SSSI, minimising its disturbance to the landscape.

While the roadways are good, structural, engineering and ground works would be required for the plots themselves such as hardstanding underneath. This would also be subject to planning permission before work could commence.

Appendix 7 – Amenity instillation quotes

Disclaimer: All quotes are subject to change, VAT and stand for 14 days after site visit. For these appraisal purposes, approximate quotes were given over telephone calls based on distances and site descriptions.

Water:

Two quotes sourced providing varied comparisons for installation.

- £4,000: To connect from the existing water supply to the glamping pods, compiled by S. Ruel, Presteigne, groundwork and drainage contractor.
- £12,500: Installation of a borehole and associated connection facilities required, compiled by WB+AD Morgan, Presteigne, drilling contractor.

Electricity:

One quote sourced to provide from the nearest electricity connection point.

- £15,000-£20,000: Installation, connection, road closures and associated materials, supplied by D. Mather, Western Power.

Groundworks

Two quotes sourced providing comparisons for extensive list of groundwork, access, drainage and sewage.

- £25,000: Groundworks undertaken, landscaping, materials acquired and labour. S. Ruel, Presteigne, groundwork and drainage contractor.
- £30,000: Groundworks undertaken, landscaping, materials acquired and labour. C. Shepard, Presteigne, groundwork and drainage contractor.

Appendix 8 – Potential Mid-Tier Grant

There is the potential to utilise the Mid-Tier grant for the roadways required to create access on the land. Paid out at £30/m2 for stoned roadways, the access required 500meters long, therefore is 1000m2. Total amount that can be claimed is 60% of costs, resulting in a potential £20,000 grant towards the costs. Advice for this application can be sought after from The Wye and Usk foundation, an independent body specialising in capital grant improvements.

Appendix 9 – Considerations for the existing business

Physical impacts on the core business

The diversification will take away approx. 10 acres of ground from agricultural production. This will not greatly impact the business with low productive land being taken out of production.

Impact on the human resources

B&M Chilman would be heavily impacted by the human resources should the cleaning and maintenance work be undertaken in-house. However, as stated, this is unlikely and therefore the employment of someone, as budgeted for, to undertake this would not impact the human resources greatly, with management of the bookings being worked into the existing routine.

Financial impact

The venture is set to use up existing cash reserves which the client instructs will not greatly impact the business as it still has the ability to borrow capital, should another investment opportunity arise.

Appendix 10 – Sales Forecast assumptions for one pod

Rather than hypothetical assumptions, based on actual comparative data kindly provided by Mr J. Rogers, Highfield Hideaways.

January – March £120 @ 35% = £3,780
April £150 @ 45% = £2,025
May – August £160 @ 65% = £12,640
September £150 @ 45% = £2,025
October – December £120 @ 35% = £3,864
£24,334 total for one pod.
£48,668 total for two pods.

Appendix 11 – Sales forecast

	Year 1	Year 2	Year 3	Year 4	Year 5
January	£0	£1,116	£1,296	£1,116	£1,116
February	£0	£1,176	£1,176	£1,176	£1,176
March	£0	£1,296	£1,296	£1,296	£1,296
April	£0	£2,025	£2,250	£2,025	£2,025
May	£0	£3,200	£3,200	£3,200	£3,200
June	£0	£3,120	£3,120	£3,120	£3,120
July	£0	£3,200	£3,472	£3,200	£3,200
August	£0	£3,200	£3,323	£3,200	£3,200
September	£0	£2,025	£2,250	£2,025	£2,025
October	£540	£1,302	£1,302	£1,302	£1,302
November	£720	£1,260	£1,260	£1,260	£1,260
December	£930	£1,302	£1,488	£1,302	£1,302
Total	**£2,190**	**£24,222**	**£25,433**	**£24,222**	**£24,222**

For 2 pods	**£4,380**	**£48,444**	**£50,866**	**£48,444**	**£48,444**

Appendix 12 – Gross Margin

	Year 1	Year 2	Year 3	Year 4	Year 5
January	£0	£1,116	£1,296	£1,116	£1,116
February	£0	£1,176	£1,176	£1,176	£1,176
March	£0	£1,296	£1,296	£1,296	£1,296
April	£0	£2,025	£2,250	£2,025	£2,025
May	£0	£3,200	£3,200	£3,200	£3,200
June	£0	£3,120	£3,120	£3,120	£3,120
July	£0	£3,200	£3,472	£3,200	£3,200
August	£0	£3,200	£3,323	£3,200	£3,200
September	£0	£2,025	£2,250	£2,025	£2,025
October	£540	£1,302	£1,302	£1,302	£1,302
November	£720	£1,260	£1,260	£1,260	£1,260
December	£930	£1,302	£1,488	£1,302	£1,302
Total	**£2,190**	**£24,222**	**£25,433**	**£24,222**	**£24,222**

For 2 pods	**£4,380**	**£48,444**	**£50,866**	**£48,444**	**£48,444**

Costs					
Electicity	£1,040	£1,040	£1,040	£1,040	£1,040
Water	£1,040	£1,040	£1,040	£1,040	£1,040
Heating	£1,040	£1,040	£1,040	£1,040	£1,040
Labour	£4,992	£4,992	£4,992	£4,992	£4,992
WiFi	£260	£260	£260	£260	£260
Laundry	£2,080	£2,080	£2,080	£2,080	£2,080
Total	£10,452	£10,452	£10,452	£10,452	£10,452
Gross Margin	**-£6,072**	**£37,992**	**£40,414**	**£37,992**	**£37,992**

Appendix 13 – Sensitivity Analysis

For a reduced 10% in sales.

	Year 1	Year 2	Year 3	Year 4	Year 5
January	£0	£335	£497	£335	£335
February	£0	£389	£389	£389	£389
March	£0	£497	£497	£497	£497
April	£0	£1,153	£1,355	£1,153	£1,153
May	£0	£2,210	£2,210	£2,210	£2,210
June	£0	£2,210	£2,138	£2,138	£2,138
July	£0	£2,210	£2,455	£2,210	£2,210
August	£0	£2,210	£2,321	£2,210	£2,210
September	£0	£1,153	£1,355	£1,153	£1,153
October	-£184	£502	£502	£502	£502
November	-£22	£464	£464	£464	£464
December	£167	£502	£670	£502	£502
Total	**-£38**	**£13,837**	**£14,855**	**£13,765**	**£13,765**
For 2 pods	**-£76**	**£27,673**	**£29,709**	**£27,529**	**£27,529**

For an increased 10% in sales.

	Year 1	Year 2	Year 3	Year 4	Year 5
January	£0	£409	£607	£409	£409
February	£0	£475	£475	£475	£475
March	£0	£607	£607	£607	£607
April	£0	£1,409	£1,657	£1,409	£1,409
May	£0	£2,702	£2,702	£2,702	£2,702
June	£0	£2,702	£2,614	£2,614	£2,614
July	£0	£2,702	£3,001	£2,702	£2,702
August	£0	£2,702	£2,837	£2,702	£2,702
September	£0	£1,409	£1,657	£1,409	£1,409
October	-£224	£614	£614	£614	£614
November	-£26	£568	£568	£568	£568
December	£205	£614	£818	£614	£614
Total	**-£46**	**£16,911**	**£18,156**	**£16,823**	**£16,823**
For 2 pods	**-£92**	**£33,823**	**£36,311**	**£33,647**	**£33,647**