



**Commercial Strategy:
Recommendations for the House of Commons**

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INTRODUCTION

The recommendations contained in this report are the result of work by Tricon/Culture Label commissioned by the Director of Information Services in the House of Commons, on behalf of the House of Commons Management Board, as part of the House's Savings Programme.

The House of Commons Commission agreed at its meeting on 12 December 2011 that the Management Board should carry out more work on the feasibility of these recommendations with a view to bringing proposals to the Commission in Spring 2012, for the Commission's consideration. No decisions on these recommendations have yet been taken.

EXECUTIVE SUMMARY

COMMERCIAL MIX

In this document Tricon / CultureLabel has recommended options for potential commercial revenue generation across seven areas. These have been considered with the House of Commons in mind but the reality is that many of the ideas would be most effectively executed by joint working between the House of Commons and the House of Lords. Indeed most sections refer to the Houses of Parliament as a whole as this is what both the visitor and commercial clients see from the outside so considerations for joint implementation need to be thought through as part of the next stage.

There is also an assumption that a new charity will be formed with a trading arm because many of the income targets created for the recommendations will be more achievable if it is clear that the income is for the upkeep of the Palace of Westminster not for supporting the running of state. This separation is critical in our view and will encourage greater accountability in the new body as well. However, when the recommendations are separated out there are some that can be adopted (and acted on immediately) without any structural changes were this not to happen.

The recommendations are based on extensive research, interviews with key Houses of Parliament personnel, our own experience, customer journey modelling and feasibility analysis. They are then benchmarked against comparable organisations shown as Reference Cases.

In summary, these are:

1. Visitor Admissions

Encompassing ticket income and optimising ticket sales, marketing and distribution

Delivered internally by new Houses of Parliament charity

2. Retail

Comprising new shop, high-street outlet and online e-commerce. Available merchandise will incorporate a mix of new product commissions (initially for market testing), product sourcing and print on demand reproductions.

Delivered by internal and/ or commercial operators

3. Visitor catering

Comprising both the onsite catering which forms part of the visitor experience and a possible high-street option.

Delivered through a commercial partner

4. Conferencing & Commercial Events

Comprising conferencing (theatre plus meeting spaces), private hire (spaces throughout building) and meeting spaces for private hire. Also includes chargeable ticketed events.

Delivered either in-house through a new events post (which would be essential to co-ordinate activity and drive sales)

5. Banqueting / events

Catered events within the estate including Westminster Hall and Private Dinners.

Co-ordinated in-house and delivered through a commercial operator

6. Filming

Hire of the estate for Filming and Photography shoots.

Co-ordinated in-house as is currently the case, just expansion of activity in this area

7. Private investment

Sponsorship, Donations, Legacies Corporate Membership, Individual membership, Advertising

Delivered internally by a new Houses of Parliament charity Development Team

CONSIDERATIONS

These 7 options account for an average annual income of £12.87 million against expenditure of £4.97 million creating a contribution of £7.9 million.

The income figure is based on benchmark data from the income received by similar organisations and capacity available at the Houses of Parliament. The expenditure figure is based on industry examples for new areas of activity and current costs incurred by the House of Commons in delivery of these operations. We have also made our own judgements on costs expended versus industry standards.

To execute this commercial strategy, and in accordance with comparable cultural organisations, we recommend the long-term development of commercial and development teams within the proposed new House of Commons operating structure. Internal capacity building and recruitment of the relevant skills base is critical to the success of this.

CONTEXT

Tricon / CultureLabel have ensured the following considerations are at the heart of the House of Commons commercial strategy:

- At the forefront of our minds throughout this process was the need to respect the dignity of Parliament. There are good examples of commercial endeavour which respects (and indeed enhances) the integrity of important national institutions. For example, the Royal Collection, set up in the aftermath of the devastating fire at Windsor Castle in 1992, generated a contribution of £7.4 million to help maintain the physical fabric and collection of the Royal estate.
- In the same way that the Royal Collection makes the Crown more accessible, explaining the role of the monarchy and its heritage, this strategy will enable further engagement with democracy alongside a commercial dividend. An underlying principle of this is that citizens' free access to the machinery of democracy should be maintained.
- We are also acutely aware that this is a working institution and of the importance of ensuring that that any commercial activity does not interfere with the day to day business of the house.

- It should also be noted that this is one of several strands of work seeking to reduce the operating costs, including a separate report into current expenditure. However, while this study focuses on income generation as well as adopting new business models, it will save money and offer a better service to customers.

Scale of opportunity

There are several examples that provide a benchmark for the scale of the House of Commons commercial infrastructure and ambition.

In 2010, V&A Enterprises generated £12.7million turnover with £1.91million paid to the museum in this year. The company's principal activities are the sourcing, design, production and sale of books and merchandise relating to the collections and mission of the V&A as well as granting of licenses for commercial goods inspired by the collections of the V&A (and sold under the V&A brand). The company runs V&A Publishing and V&A Images, and also manages the income for corporate venue hire and educational services within the Museum.

In 2010–11 Tate generated 62% of its income from sources other than Grant-in-Aid. Over the past five years Tate has increased self-generated income by 15%. Many UK cultural organisations have grown their commercial revenue streams considerably over the last 10-years and are far more sustainable enterprises as a result. While there are new ideas in this business plan it should be seen as much as helping to form a new mindset for the organisation as it enters a radically changed environment from that which existed before.

There have also been organisations that have overestimated commercial income and as a result have failed to achieve their targets with sometimes terminal consequences. In a difficult economic landscape this proposed strategy therefore takes care to tread a sensible and cautious line in all forecasts and projections but it will still require 100% commitment and bold decisions to be achieved.

Where precedents exist for our ideas we have used these as benchmarks. However, this strategy equally makes no excuse for outlining a bold new direction where the customer journey and experience is actively enhanced by the commercial offer, further enabling the House of Commons to evolve services as a result.

STRUCTURAL DIAGRAM

The diagram below identifies the organisational structure that will be required to pursue set of recommendations. No reference is made to specific posts within this as it will change depending on the options adopted although they are referenced in the document in the appropriate section.

There is an understanding that some functions may only prove to be a management / co-ordination role if the function is outsourced or indeed delivered by another internal department such as Press and Marketing or HR & Finance.

DOCUMENT FORMAT

For each option, Tricon / CultureLabel outline a range of applicable considerations taken from the following list:

Concept

Brief overview of commercial concept and any options within it

Recommendation

Our view on which option the House of Commons should pursue, where more than one suggestion is outlined

Required Steps

Pathway to creating the commercial product or service

Delivery Partners

See the next page for an overview of delivery considerations

Risks

Any risks associated with the recommendation

Reference Cases

Models exist for many of the recommendations, in the UK or worldwide, in the visitor attraction sector or indeed the high street. We provide short summaries with any key intelligence or statistics. This will enable each option be demonstrated by current, working examples of the proposition.

INVESTMENT & RETURNS

Provided separately is a 5-year P&L statement including any investment requirements plus the likely net contributions which the House of Commons could expect from each of the seven options.

A summary of the Income, Cost and Profit forecasts are illustrated in the tables over page.

The forecasts contained within this report are the result of collating data provided by Tricon / CultureLabel.

Please note:

1. All figures are indicative only and should not be relied upon for investment decisions;

2. Forecasted incomes are predicated on the successful execution of concept and strategy for each element. Identifying and enabling suitable personnel (whether internal resource, external operators and/or commercial partners as appropriate) is wholly critical to this.

FINANCIAL SUMMARY

OVERVIEW	2010/11	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
<i>OPTION A</i>							
TOTAL EXPENDITURE	£3,352,399	£3,606,477	£4,228,638	£4,258,291	£4,449,014	£4,748,320	£21,290,739
TOTAL INCOME	£3,335,897	£6,469,099	£7,208,602	£8,149,492	£8,524,449	£8,916,690	£39,268,332
PROFIT/LOSS	-£16,502	£2,862,622	£2,979,965	£3,891,201	£4,075,435	£4,168,370	£17,977,592
<i>OPTION B</i>							
TOTAL EXPENDITURE	£3,352,399	£3,675,277	£4,329,673	£4,391,460	£4,614,211	£4,945,434	£21,956,054
TOTAL INCOME	£3,335,897	£7,519,325	£8,935,169	£10,601,529	£11,884,194	£12,866,344	£51,806,561
PROFIT/LOSS	-£16,502	£3,844,048	£4,605,496	£6,210,070	£7,269,983	£7,920,910	£29,850,507
<i>OPTION C</i>							
TOTAL EXPENDITURE	£3,352,399	£3,675,277	£4,329,673	£4,391,460	£4,614,211	£4,945,434	£21,956,054
TOTAL INCOME	£3,335,897	£7,519,325	£8,935,169	£10,601,529	£11,884,194	£36,155,715	£75,095,932
PROFIT/LOSS	-£16,502	£3,844,048	£4,605,496	£6,210,070	£7,269,983	£31,210,281	£53,139,878

COMMENTS

- Achieving the profit in year one from a standing start would be difficult so Year 1 has an assumption that it may take a period of transition before we get to this point
- Likewise, it is a very aggressive timetable to get the Visitor Centre open for Year 5 but we wanted to show the impact on income (expenditure is not considered for a capital project within the scope of this study)
- We think it unlikely that with the current organisation structure the targets for A would be met but have decided not to mark them down by a percentage to illustrate that improvements could and should be made immediately

PROFIT CONTRIBUTION OVER FIVE YEARS (BY INCOME STREAM)

INCOME STREAM	INITIATIVES	Option A	Option B	Option C
1 Visitor Admissions Income	Tiered visitor offers, visitor experience, ticketing, marketing	£7,078,776	£8,494,757	£26,363,122
2 Retail	Increased retail return, new online shop	£3,821,775	£3,821,775	£9,055,976
3a Visitor Catering	New operator of Jubilee café	£102,576	£102,576	£289,380
3b High-street Retail Catering	New catering/retail outlet in place of parliamentary book store	£793,106	£793,106	£793,106
4 Conferencing & Events	Conference, meetings and corporate hire	£2,017,144	£2,017,144	£2,017,144
5 Banqueting	Banqueting and events hire	£3,782,792	£3,782,792	£3,782,792
6 Filming	Filming & Photography	£381,422	£381,422	£381,422
7 Private donations	Sponsorship, corporate membership, donations, trusts & foundations	£0	£10,456,934	£10,456,934
TOTALS		£17,977,592	£29,850,507	£53,139,878

Option B = Option A plus Gift Aid and private investment

Option C = Option B plus capital project increase in Year 5

OPERATIONAL STRATEGY: RESOURCE

DELIVERY AGENTS

For each recommended activity, Tricon / CultureLabel suggest the most efficient mechanism for delivery. This is usually one of the following options:

- **In-house:** using existing House of Commons staff to deliver the activity. To do this successfully, and generate the required income, staff member(s) will need to be issued with clear targets, responsibilities and ownership of the activity. There is also likely to be staff training as well as recruitment of new skill sets required. If the recommendation within the first part of this report are adopted some employees will potentially move into the newly created charitable or trading arm structures.
- **External operator:** using a third party to subcontract the service, working on a Service Level Agreement to determine agreed provision and commercials. On-going monitoring and management is critical to the success of these arrangements.
- **Commercial partner:** a third party whose role is in part a commercial negotiation and in part a sponsorship arrangement for the House of Commons. On-going relationship management is a critical success factor in ensuring the maximum returns from this style of relationship.

STAKEHOLDER RELATIONSHIPS

The primary functions of the Houses of Parliament The Houses of Parliament will never conform to being a typical visitor attraction as the building facilitates the day-to-day running of state activity. This will always be the priority as long as the estate is used for this purpose. This form of usage has also created a further complication that both restricts income generation (understandably on many occasions) as well as complicating the offer to potential external clients and visitors. This is of course the concept of parliamentary privileges

commanded by the members for the business of state. These need absolute clarity in our view for the benefit of internal as well as external stakeholders and the public at large.

For example, the ability of an MP to simply sponsor an event by a corporate client clearly has the potential to undermine the new commercial strategy. This is a complicated issue to resolve but the reality is some privileges will need to be kept for state to function effectively but others may be questioned in the new age of austerity where commercial income generation has become a priority.

PERSONNEL & STRUCTURES

Most not-for-profit visitor attractions of the House of Commons scale and ambition have development and trading functions to generate revenue and manage relationships with the public, external operators and commercial partners, as well as to House staff providing in-house commercial functions. See Part 1 for our specific recommendations.

Development Departments

Responsible for fundraising private investment, these are found within the charity structure and range in size but generally the most successful organisations are major cultural brands in London with some regional exceptions as well as national players such as English Heritage and the National Trust. This bodes well for Parliament especially if it can create a Private Investment policy to create clarity on from where it will accept funds.

Tate has a six-year plan for 2012 and beyond where it seeks to raise £250 million through private and corporate sector fundraising to give you a sense of the scale of ambition of some organisations.

The Development Team at the Whitechapel Gallery consists of 12 people for example.

Commercial units

Royal Academy Enterprises, for example, splits its unit between Commercial (with teams for Framing, Merchandising, Shop and Website) and Publishing (with teams for Magazine plus Catalogues and Books).

V&A Enterprises has individuals responsible for each of: Digital sales and commercial rights; Licensing; Publishing; Retail (Buying); Retail (Online and fulfilment); Retail (Operations); Retail (Merchandising / Planning); Finance.

The National Portrait Gallery split their team between Events (3 staff members), Trading (1), Publications (7), Rights & Images Office (5) and Retail Shop (8).

As an alternative comparison, BALTIC is a much smaller but very successful regional organisation, with 5x FTE's in the retail department, plus one Corporate Events Executive.

1. VISITOR ADMISSIONS

CONTEXT

We believe there is substantial demand for access to the Houses of Parliament and the current capacity restrictions present an opportunity to create new price points and premium offerings beyond standard admission to generate greater box office income. The Association of Leading Visitor Attractions (2010) lists the Houses of Parliament as the 31st most visited attraction in the UK with 703,255 visitors. Of those however, only approximately 183,000 pay an entrance fee for a variety of reasons.

The tourism market in the immediate area is far greater. For example, 1,394,427 paying visitors make it to Westminster Abbey next door making it the 13th most visited attraction and perhaps more significantly the 3rd most popular paying attraction. The EDF London Eye across the river attracts over 3.5 million paying customers. The summer opening at Buckingham Palace which is also limited by capacity issues is another benchmark and 413,000 visitors attended the Summer opening of Buckingham Palace over 67 days in 2010 (pre-Royal Wedding and up from 369,000 over the same period last year), A further 185,000 also went to the Queens Gallery on the same site for the Victoria & Albert: Art & Love exhibition.

NEW TIERED OFFER

Capacity challenges are ironically both the weakness and strength of Parliament and these will be exploited to provide a new set of premium experiences to satisfy a range of consumer demands. These are:

Big Ben Tour

Climbing Big Ben is an exclusive privilege available to only 10,320 people each year because of capacity and security reasons. It should be billed as the London equivalent of walking across the Sydney Harbour Bridge. Equally this would be the culmination and highlight of a select few tours.

Other premium tours

At £36 per person we would also introduce an **AFTERNOON TEA** offer including tea and a small selection of cakes, guidebook and 20% shop discount. This would trade on the Englishness of the brand. The British Museum offers a £28 Afternoon Tea package which includes exhibition entry.

In the summer we would also offer a **CHAMPAGNE ON THE RIVER TERRACE** option, again for £36 with the guidebook and 20% shop discount.

These are our equivalents of the pint of Guinness at the end of the hugely successful Guinness Storehouse experience, which is Ireland's most popular tourist attraction.

Both of these options would require access to the River Terrace and or potentially another private room or revamped Jubilee Café.

Specialist Tours

We would also offer specialist tours including an **ART TOUR** for example (again at £30). We also propose to offer a **VIP TOUR** by a series of noteworthy parliamentary figures. There are some amazing people in Parliament from both the administration team and the political community many of whom are well-known with public appeal. We want to tap into this unique resource to create a small-group of 20 high value tours where a select group of guests get to benefit from their personal tour and stories from within this amazing institution for the benefit of the building in which they work.

Special openings

We would look to open the venue for some special one-off events such as New Years Eve fireworks or the Queens Jubilee where people can enjoy these events on a one-off charge basis of £200 +VAT.

VISITOR EXPERIENCE

Currently a great deal of expenditure goes on staffing across the House of Commons and particularly contracted guides and this approach should be evaluated.

Extended opening times should also be investigated such as Sunday and some evenings which are key times in other similar attractions.

GIFT AID

Gift Aid increases the value of donations to charities by allowing them to reclaim basic rate tax on donations. This amounts to £0.25p for each £1 for a basic rate tax-payer of 20%. The important thing for Visitor Attractions with charitable status is that they can claim it on visitor admissions (with the permission of a donor who needs to tick a box stating their agreement and eligibility).

Gift Aid can only be claimed from UK taxpayers, which is important as 67% of 4,903,000 visitors to the British Museum were from overseas. We do not know this figure for the Houses of Parliament so it is included within the list of possible risks in relation to this income source.

RISKS

Insufficient market research and customer profiling
To date only limited customer data is available. There is a lack of customer profiling as well as any research with potential visitors to survey their current experience and to identify opportunities for future development of the Houses of Parliament product. We would recommend this work is carried out alongside trialing and testing the new tiered offers which are already in existence at nearby visitor attractions which clearly mitigates the risks for Parliament in pursuing these options.

Gift Aid potential

The same research will also help Parliament better estimate the amount of gift aid they could receive as it is not clear at present how many UK tax payers pay for admission for example. Benefiting from Gift Aid would only be possible under Option B/C.

CAPITAL PROJECT

London is the most visited city in the World and the exterior of the Houses of Parliament is already a must see location for millions. Eight of the UK's top ten visitor attractions are museums. Across the river in 2010, the EDF London Eye made £29.1 million, up 18 per cent on the previous year; on turnover of £56.4 million on 3.5 million visitors (it is now more popular than the Taj Mahal and the Pyramids). The Houses of Parliament are at the centre of one of the

key tourist locations in the city and possible future initiatives such as the pedestrianisation of Parliament Square will only enhance its appeal.

We believe that the Houses of Parliament are undoubtedly in this league. Once up and running, we have estimated the net income arising from the capital project to be £24m per annum. This is based on benchmarks such as Westminster Abbey, the London Eye and Buckingham Palace (see above for annual visitor numbers). They give us a good guide in terms of potential visitor numbers in the immediate vicinity as well as price tolerance. In the financial projections in Year 5 of option C we have therefore made income projections but not expenditure which would be beyond the scope of this report and would require much more detailed interrogation and research. We would be confident from all three of the examples noted that by scaling up the visitor attractions in order to achieve a greater net contribution but with the health warning that this research needs to be done if this is considered a viable option.

A proposal for a capital build would have some requirements for public funding and would clearly increase the revenue costs of a Houses of Parliament charity charged with running a major new visitor attraction. However, these projects rely heavily on private funding from donors, sponsors, legacies, Trusts and Foundations and other forms of support which are still readily available even in times of economic challenge. For example Tate Modern is raising £215 million for Tate Modern 2 of which 70% is already secured and the majority has come from anonymous private sources. The organization as a whole has used its success over the last 10 years to move to a point where 62% of its income comes from non-public sources.

\$65 million of the cost of the Capitol Building Visitor Centre in Washington D.C. was raised through the sale of commemorative coins.

OPPORTUNITIES

The success of the Capitol Visitor Centre in attracting over 3 million annually demonstrates the scale of the opportunity in London as expressed above. The US has stolen a march in branding

terms in this area but a capital campaign allied to the 750th Anniversary of Parliament and the 800th Anniversary of Magna Carta provides a once in a lifetime opportunity to really develop the ‘Mother of Parliaments’ brand with a campaign to protect and create better access and understanding of one of the most iconic buildings in the world. We would take this a step further and use the opportunity to try and go beyond the overall capital cost to raise an endowment to support the future conservation of the building.

To make the most of the opportunity afforded by the year 2015 anniversary a decision to proceed would be needed very soon.

Secondly, there is a current challenge for Parliament to both better engage the electorate in the democratic process, the history and functions of our democracy as well as combat negative perceptions of politics as a result of the expenses scandal.

RISKS

- Clearly this project could only be undertaken if a charitable structure could be established that separated the day-to-day business of parliament from the building so a powerful cause could be established that would be the focal point of any campaign.
- Some capital projects have overshot their initial projected costs and the Capitol Building Visitor Centre is a striking example as the final bill was \$581 million from an original estimate of \$71 million due to security changes after September 11, enlargement and cost overruns.
- To reiterate, this project would clearly increase income but it would also increase the revenue costs of the estate. Establishing the feasibility and cost of a capital project of this scale is beyond the scope of this report but some work would need to be undertaken revisiting a recent study on this topic by the Houses of Parliament.

TICKETING

The House of Commons has a partnership with Ticketmaster and we would recommend that they explore the cost of this relationship versus emergent digital ticketing technologies that could

offer substantial cost savings and additional revenue streams. Digital Ticketing for example involves sending tickets with a 2D bar code straight to a mobile phone or are printed at home just like an airline ticket. This removes any need for printing and posting and the associated costs. The system can be integrated with the proposed new online shop for Parliament allowing sales of products such as guidebooks as well. All of the leading UK visitors attractions such as Tate and the British Museum deploy these integrated ticketing and retail systems so they can benefit from add on sales ranging from memberships to merchandise at the point of online purchase as solicit additional donations and gift aid declaration.

OPTIONS

There are three routes available here:

Option A

Use a commission based internet provider for all House of Commons ticket sales - Eventbrite is representative of an emergent breed of pure-play online ticketing companies that are revolutionizing the business by offering a free ticketing solution for non-paid events.

Several other online ticketing companies beyond Eventbrite such as Amiando.com would also offer this service for free. One of the challenges with these systems is that while good value and heavily

used (Eventbrite has sold 38 million+ tickets) they are not integrated with your retail system or internal databases for add-on sales or monitoring purposes. You are also unable to design and brand the pages in a way that is consistent with your website. They are also less secure for the Houses of Parliament environment as most do not offer 2D barcode systems.

Option B

Engage a booking fee based online ticketing provider such as CultureLabel.com.

Please note – in relation to this element of the strategy, CultureLabel is listed as a provider for illustration only due to of our direct experience of operating in this market. We would not necessarily tender for the House of Commons contract.

This model would generally work as above with no setup fee per event but an agreed set of Booking Fees dependent on ticket price.

For comparison, the Courtauld Gallery pays £1.50 per ticket with no setup or per-event fee. They can also integrate merchandise with ticket sales to allow cross selling, for example, a catalogue with an exhibition and perhaps offer a discount when they were bought together. See Reference Case #2 for more detail.

In reality, options 1 and 2 are not too financially dissimilar dependent on the commission rate or ticket fee negotiated (on the proviso that commission is passed on to the customer in the form of higher ticket prices rather than absorbed by the House of Commons.).

Option C

Continue with Ticketmaster relationship.

MARKETING & PR

With a refreshed offer, communicating this to existing and potential customers has never been more important if we hope to meet ambitious new income targets.

The Houses of Parliament currently invests a lot in traditional print based marketing and we would recommend a review of this expenditure as social media and other form of digital marketing and direct customer acquisition tools such as Groupon (see Reference case #3) are the main promotional tools used by many brands today as the return on investment is far higher. For example Tate has over 300,000 fans on Facebook and 459,000 fans on Twitter providing a huge free marketing channel. Time and effort of course needs to be expended on building and maintaining this community.

To appeal to a wider range of visitors we would recommend a review of the visitor sections of the website. Logic would suggest these pages are better incorporated into a microsite specifically focused on the requirements of a visitor attraction. Currently buried within a website that has multiple objectives.

The design and content and multimedia aspects should also be upgraded as they do not sufficiently tell a compelling story about the Houses of

Parliament. Neither is the site structured in a way that would appeal to different visitor personas (although again more work needs to be done to define current and potential visitors).

We would still recommend some print material and PR, but the format and scale needs to be fully appraised.

REQUIRED STEPS

We would recommend you explore the cost of this relationship versus emergent digital ticketing technologies that send tickets with a 2D bar code straight to a mobile phone or are printed at home. This removes any need for printing and posting on behalf. As importantly the system can be integrated with the proposed online shop and products delivered direct to the customer's home or picked up at the venue.

REFERENCE CASES

#1: Buckingham Palace Private Tours

Tiered propositions have been trialled extensively by the Royal Collections across their portfolio. Private Tour prices (outside of the Summer Opening season) are £60 per person including a glass of champagne, guidebook and a 20% discount at the shop. There is a minimum number 25 or booking value £1,500.00, maximum number 60. 1,069 people booked in 2010.

#2: CultureLabel.com Digital Tickets

CultureLabel recently set up one of the first mobile-ticketed exhibitions in the UK at the Courtauld Gallery for their blockbuster exhibition, Michelangelo's Dream.

Digital ticketing is one of the most efficient forms of ticketing for an organisation as it sends tickets direct to users mobile phones which displays a 2D barcode which a scanner connected to an internet enabled PC at the venue can read. For purchasers who have an incompatible phone, they can print out an email ticket which also has the barcode included.

However, one of the main benefits is the ability to sell associated merchandise such as exhibition programmes as you can integrate it with your ecommerce solution.

#3: Groupon

Services such as Groupon and Living Social are revolutionising the way experience based products are being sold

Location based digital coupon services such as Voucher Cloud can also be used to target potential customers with offers in the London area as they walk by the Houses of Parliament searching for something to do.

#4: Guinness Storehouse

View of the River Terrace equivalent at the Guinness Storehouse, Dublin where visitors are able to enjoy a pint of Guinness at the end of their tour. There are no guided tours but rather the narrative is relayed through a combination of the building, objects, working equipment and technology. It is worth noting that no technology is currently utilised to tell the story of parliament and so the narrative comes from the guide only limiting the consistency and level of contextual information that can be shared.

2. RETAIL

(A) RETAIL SPACES

CONCEPT

It is our view that the Houses of Parliament – as a World Heritage Site with a wealth of inspiration and one of the most iconic buildings on the planet – is not maximizing its retail potential.

There are currently three retail spaces across the estate. Collectively these outlets generate a turnover of approx. £1.5 million and a profit of around £100,000 (figure subject to establishing more information on the House of Lords shop). You will see from the reference cases that this is significantly less in turnover and profit than two nearby and comparable attractions Westminster Abbey and Buckingham Palace.

Parliamentary Bookshop

The Parliamentary Bookshop in particular is in a prime high-street location but still managed to make a loss in 2010/11 (although it is predicted to make a small profit this year). The turnover of £326,359 in the same year is low in comparison with the insight we have on other units. For example are aware from our research that the Café Nero concession achieves significantly higher annual turnover.

House of Commons shop

There is a House of Commons operated shop in St Stephen's Hall and this suffers from poor positioning within the tour route as opposed to the entrance / exit point which is also the area with the greatest dwell time. Elements of the range as well as the shop fittings also need revisiting in our view, especially if it is to go into the high street and 3rd party retailers. See section on Product Development

House of Lords Shop

A House of Lords shop serves internal customers. We believe this function could be served within a combined shop and the intranet could very simply connect to a private online shop that offers discounts to members and staff as appropriate. These products could then be collected directly from the main shop using a Click & Collect model employed by many

stores on the High Street. It would still be feasible to promote the products physically in other parts of the building but without the high-level of staff expenditure.

Ecommerce

The Houses of Parliament currently has no online shop which would stand it apart from virtually every other ALVA member in the Top 20 positions. The website currently has impressive traffic levels of 1.5 million per month comparable to the top museum websites in the UK such as the British Museum (see Section B below) and the V&A (20 million visits per year). Ecommerce has long been the fastest growing part of retail and has the lowest cost of entry and we would recommend that Parliament quickly enters this space.

NEW RETAIL LOCATIONS

The two most profitable retail spaces available within the Parliamentary Estate are Westminster Hall and the high street units on Bridge Street. We understand there are significant issues relating to our preferred location closest to Westminster Bridge, leading us to the conclusion that it is the Parliamentary Bookstore that requires renovation and development.

High-street book retailers are generally under pressure from internet competitors and a rapid shift to e-Reading and the extremely niche position of the Parliamentary Bookshop leaves it particularly vulnerable in relation to the prime retail space it occupies.

We are aware that there may be significant objections from English Heritage for even a temporary shop in Westminster Hall so our second preferred option would be a combined retail / catering offer in the Jubilee Café. The V&A Bookshop and Wine bar is a good example of how these two concepts can fuse effectively and it also retains some catering support services and space for the enlarged events programme which we also propose would be delivered by the same operator in section 5.

As a related offer, we recommend a Print on Demand Kiosk to maximise sales from the art collection. See section on Product Development

Secondly it may be possible to secure the best terms and most consistent service by packaging up a series of related services for a single operator or group of operators (see Welcome Collection Reference Case) especially if the offer could be similar as we are also proposing for the new concept for the current Parliamentary Bookstore space.

DELIVERY PARTNERS

Delivered by external operators or in-house depending on negotiation of best terms for the House of Commons. In the US museum retail spaces are increasingly franchised in the same way as catering.

REFERENCE CASES

#1: Westminster Abbey

In 2010 Westminster Abbey generated retail sales of £3.06 million and generated a profit of £984,000.

#2: Royal Collection

Front displays are of Royal Collection merchandise despite franchising. Visitor numbers are less than 500,000 per annum.

#3: Wellcome Collection

Wellcome Collection merchandise is contained within a concession operated by Blackwell booksellers. The overall visitor services space is also shared with the information desk and the café operated by Peyton & Byrne who have a number of museum and gallery operations such as the Wallace Collection and National Gallery

(B) E-COMMERCE

CONCEPT

There is currently no online shop despite it being the fastest growing area of the retail industry. The V&A online shop, which is already the most successful museum ecommerce operation, grew its operation 44% year-on-year in 2010-11.

The scale of online operations is also growing with the Tate online shop currently selling over 1,500

product lines, 80% of which are published and produced by Tate Enterprises itself.

The Houses of Parliament has 1.5 million unique visitors per month to its website or 18 million annually. To put this in context The British Museum is the most popular visitor attraction in the UK and about 8.7 million people accessed the main BM website in 2010/11 (with 21 million visits overall to all the BM websites).

An online retail store needs to be positioned on the homepage of Parliament's website. This would contain products from the Houses of Parliament range.

Also incorporated would be the Print on Demand ecommerce store and online tickets – all cross-sold so someone is prompted to buy a ticket and guidebook, for example.

REQUIRED STEPS

- Identify products from offline store appropriate for online retail;
- Incorporate additional products as per Product Development Strategy below;
- Commission design of new store.

DELIVERY PARTNERS

We recommend outsourcing this function to a third party to operate the end-to-end online retail. The alternative would be to commission the bespoke development of an online store and manage the merchandising, maintenance and marketing in-house.

For the former option, a much lower investment is required for setup, and many of the ongoing costs associated with new business development (e.g. for social media, product PR) can be absorbed by the operator, who would usually benefit from economies of scale across multiple retail clients.

The more traffic the House of Commons is able to generate the more successful the ecommerce offer becomes.

REFERENCE CASES

#1: CultureLabel.com (aggregator)

#2: Whitechapel Gallery branded online shop powered by CultureLabel.com technology

(C) PRODUCT DEVELOPMENT & SOURCING

CONCEPT

The V&A and Royal Collection are great examples of institutions that have exploited their collections to create exclusive products that have extended the brand and increased income. We recommend working with a range of contemporary designers, brands and artists to commission new Houses of Parliament merchandise inspired by the history, politics, collections, art, architecture and the Houses of Parliament brand - for example the creation of limited edition prints by Grayson Perry who has work in the Houses of Parliament collection.

Institutions such as the Cass Sculpture Park generate hundreds of thousands of pounds from the sale of limited editions. There is no shortage of saleable artists that feature in the collection and the global art market has grown hugely over the last 25 years and the Houses of Parliament are in a great position to capitalise on this like any gallery which will ask artists that they commission or exhibit to create editions to raise funds for them.

The rationale for the House of Commons undertaking product development is that unique and exclusive products will always sell better (particularly online) than generic products available from multiple providers (unless the Houses of Parliament can achieve better price points which is unlikely given the volume of sales).

Creative buying would supplement the range with products available that fit this theme. For example the range of official scale replica signs that can be found within the LTM (see Reference Case #1)

HoP also has an opportunity to create a unique position with the High Street outlet as the 'official' London Tourist shop and purveyor of premium quality merchandise.

Promoting licensing opportunities to a range of selected partners is another way the organisation can start maximizing its assets. The margin is lower but other partners are taking the product development risk and it also potentially reaches a far larger audience as the licensee will often help in other ways by doing deals with distributors outside of your own network.

REQUIRED STEPS

Print on Demand

The processes involved in this element overlap with those for outlined on the next page.

Influenced by House of Commons collections (commissioned)

This would involve commissioning artist-makers and product designers to produce a House of Commons product range to provide a point of differentiation.

Product sourcing

This involves identifying a suitable range of existing products to retail from artist-makers, designers and boutiques.

REFERENCE CASES

#1: London Transport Museum

There is huge scope to source London and Parliament-inspired products or products inspired by the collection. London Transport Museum has won design awards from Wallpaper* Magazine for the quality of its product collaborations. These were also sold on the High Street at Heals department store.

#2: Museum of London

#3: RELEASE – Tate, Wallpaper* Magazine & CultureLabel

Many cultural retail outlets such as the Southbank Centre (Bloom initiative) close to the Houses of Parliament invite individual artists and designers to sell products in their outlet. In 2010 CultureLabel launched a competition in partnership with Tate and Wallpaper* to find a design for a £10 and £100 souvenir for the gallery. Creative's submitted ideas to a web platform created for the project and a high profile group of judges including the artist Richard

Wentworth voted on the winner which was produced and sold in the shop with a commission being paid to the artist for each product sold.

#4: Brand extension through merchandise

Brands such as Penguin have produced a range of products based on literature that would complement the House of Commons range.

#5: Brand partnerships

London Transport Museum has worked with Ted Baker to use archive designs for a range of suits. The Serpentine Gallery has worked with Pringle and Puma on new product ideas.

(D) PRINT ON DEMAND

CONCEPT

Print on Demand (POD) is a primary mechanism for monetising the Art Collection online and offline. The House of Commons needs to identify a series of hero images that will become the commercial standard bearers. These will be sold via Parliament's website, 3rd party online sellers, physical POD Kiosks, House of Commons shops and possibly other museums and the high street.

There is a low barrier to entry to this space for the House of Commons as the majority of the collection has already been digitized so it makes sense to monetize these and increase the range of products available. These products have high margins for the content holder and very low risk as they are not produced until they are ordered (apart from a small selection of shop based stock).

REQUIRED STEPS

1. Identify any copyright issues that could prove a barrier to commercial exploitation of the archives.

2. Digitisation process:

- Selection of key commercial assets and in particular 100 flagship images;
- Digitise any key commercial assets within this list that have not been already;
- Meta-data creation for existing assets;

3. Physical kiosk options:

- Procure Print on Demand Kiosks - options are rental, part ownership (remainder paid in installments) or purchase outright;
- A point of sale Kiosk would be positioned in the House of Commons shop and high street store;
- Product list: Canvas, framed and unframed prints, stationary, t-shirts, wallpaper. The widest possible selection is recommended as it is only ever produced if a sale is made so there is zero stock exposure for the House of Commons which is crucial. Margins will vary per price point;
- The physical sales offer will be complemented by an online storefront for Print on Demand. This can be achieved for no further investment.

REFERENCE CASES

#1: National Portrait Gallery

There are a number of providers of Print on Demand solutions including Magnolia Soft, 1000 Museums and the Bridgeman Art Library.

#2: CultureLabel.com Print on Demand Store

An online store featuring work from artists such as Andy Warhol and institutions such as the National Portrait Gallery, and The Natural History Museum

Print on Demand website by Tricon / CultureLabel.com

3. VISITOR CATERING

(A) VISITOR SERVICES

CONCEPT

Currently the Jubilee café suffers from insufficient footfall to make it financially viable without a significant change in concept or location. One consideration could be the combination of a simple café with a bookshop.

This is based upon the concept of blending catering, showcasing and sale of art and popular reading - increasing book stock for science, politics, fiction etc. By blurring it with a café, the objective is to create a bookshop without customers feeling pressure to buy the book.

It also creates informal and attractive group spaces.

In the summer the café and bar will extend onto the exterior spaces, increasing both capacity and the attractiveness of the space.

REQUIRED STEPS

- Create the new concept by combining gifts, books and café into one space
- Consider extending this into Westminster Hall and improving visitor signage and visibility
- Close gift shop in St Stephen's Chapel
- Consider making the tour entrance/exit through this area

DELIVERY PARTNERS

In its simplified form this operation could be managed internally as a joint departmental initiative or combined with the concept proposed as a high street operation as proposed below in (B).

RISKS

- Some visitors may require more substantial snacks or meals
- The capital cost needed to create the concept is too high to produce a reasonable ROI.

REFERENCE CASES

#1 V&A Reading Rooms

A concept wine bar on the high street close to South Kensington Underground Station, London. Dependent on the success of this venture the museum is exploring a chain with a Books & Booze theme. In particular, this is attractive due to the low service requirements, with minimal impact on the physical building.

#2 Frank's Campari Bar, Peckham

There is scope for some seasonal catering experiences at the Houses of Parliament. For example Frank's Campari Bar is a pop-up café and bar, which appears on top of a multi-storey car park in Peckham as an annual fixture. The bar is sponsored by Campari.

(B) HIGH STREET

Within the parliamentary estate there are a number of retail outlets, one of which is operated in-house and the others let on a standard lease. Each one is located in an extremely high traffic area and would be attractive to a wide range of tenants. However, we understand that one ground floor unit on the corner of Portcullis House has not been let. One tenant, Caffé Nero, occupies a very small site of only a few square metres and would like to occupy more space if a convenient layout could be offered.

RECOMMENDATION

We propose that the available retail space be reviewed and either the Parliamentary Bookshop is relocated to the empty corner unit and its site let to a retail foodservice brand such as Prêt, Eat etc. or the retail brand is offered the vacant corner unit.

REQUIRED STEPS

- Fully scope implications, including occupancy and fire escape;
- Need to create a suitable food preparation area if food produced onsite such as with Prêt model;
- Identify and contact Bar / Bistro concession or agent.

- Support in negotiation of best possible commercial terms for the House of Commons;
- Concept refinement in partnership with the appointed operator;
- Ongoing management of relationship with operator.

DELIVERY PARTNERS

This should be let on a commercial lease to an established foodservice retailer using a fixed base rental and a percentage of sales as the basis of the agreement.

(C) NEW VISITOR CENTRE

CONCEPT

In addition to ticket sales most visitor attractions today rely heavily on the income from souvenirs and catering. Disneyworld used to claim that income was generated equally from these three sources. With the creation of a new visitor centre the opportunity cannot be missed to maximise income from these secondary sources.

RECOMMENDATION

Within the new visitor centre create a food and beverage concept that will extend the visitors stay and increase customer satisfaction whilst contributing to the overall financial contribution.

REQUIRED STEPS

- Fully scope implications, including anticipated occupancy and prepare business case
- Develop suitable catering concept(s)
- Prepare a detailed design brief
- Include within scheme designs of the new build
- Seek a suitable commercial operator

DELIVERY PARTNERS

This should be let on a commercial lease to an

established foodservice retailer in the field of visitor attractions such as Benugo, Peyton and Byrne or Rhubarb using a fixed base rental and a percentage of sales as the basis of the agreement.

RISKS

- The contract is not well managed by the client or let to a poor quality operator and the overall visitor centre reputation is damaged
- The contractor is encouraged to invest a disproportionate amount of capital that reduces the anticipated net income
- The visitor numbers fail to meet the lowest projection and catering becomes costly to operate

REFERENCE CASES

- Blenheim Palace £2.50 average spend on food per visitor
- Leeds Castle £2.70 average spend on food per visitor
- ALVA report median spend on food of £3.09 per paying visitor

(D) COMBINED TOURS WITH FOOD & BEVERAGE

CONCEPT

If the current number of paying tour visitors capacity is capped at 183,000 pa, consideration could be given to introducing new types of tour that for different market segments where the tariff is set by providing an additional unique experience enhanced with food and beverage service.

RECOMMENDATION

Introduce new tours sold as providing a unique experience such as;

- Special tour combined with high tea overlooking the river at £36
- Special tour combined with Champagne overlooking the river at £36

- Clock tour for UK citizens only with a meal at £75
- A VIP tour with canapés at £250

As an initial promotion, these special tours may offer 20% discount in the gift shop.

REQUIRED STEPS

1. Enhance the visitor sales department in order to develop and sell the new tours
2. Prepare the new packages and identify the rooms to be utilised
3. Commence promotional campaign

DELIVERY PARTNERS

Ideally the service will be provided by the in-house teams working together.

RISKS

- The in-house teams are unable to work together to generate the anticipated level of profit contribution
- Achieving access to desired routes and rooms cannot be achieved to meet customer expectations

REFERENCE CASES

#1 London Eye

London Eye Champagne experience

#2 British Museum

High Tea at the Court Restaurant, British Museum

4. CONFERENCING & EVENTS

(A) CONFERENCING, PRIVATE HIRE & MEETING SPACES

CONCEPT

The varied estate will allow the House of Commons to attract a wide range of conference events and private hire. As well as large spaces there are multiple breakout rooms available which is important for conference hire in particular. Across daytime and evenings, the following types of events are possible across the estate:

- Conferencing and Private Hire
- Meeting Rooms
- Other selected private hire uses for consideration as requested.

REQUIRED STEPS

- Identify and package full conference and hire inventory to prepare a package to outsource. This would incorporate marketing, resourcing, booking, spaces, operations and catering;
- Catering mechanics to be planned

RISKS

Is there sufficient capacity and facilities for larger, more lucrative events requiring a large main auditorium-type space?

REFERENCE CASES

#1: Wellcome Collection

The Wellcome Collection, London comprises a similar scale conference offer incorporating meeting rooms, breakout spaces and a 154 capacity auditorium. The Wellcome Collection Conference Centre gift-aided profits in the region of £750,000 to the Wellcome Collection in 2010 (source - wellcome.ac.uk)

#2: The Ritz Hotel

£100 day delegate rate

#4: The Connaught Hotel

£94 day delegate rate

(B) SPECIAL EVENTS PROGRAMMING

CONCEPT

A programmed commercial event is operated by a third party but open to the public for a ticket fee. The event could be operated on a profit share or the third party could pay a hire charge and set their own ticket rates (including free access). It should be noted that not all of these may be appropriate but the benefit is they do the marketing and are responsible for risks around staging the event rather than Parliament.

By way of example, this type of commercial events programming might include:

- A dinner speaker event prior to watching fireworks from the terrace on New Year's Eve;
- Events around key moments such as the Jubilee, Olympics, London Fashion Week etc.
- A travelling charging exhibition in Westminster Hall or another location such as the BP Portrait Award or the Sony World Photography Awards;
- The Catlin Art Prize where the sponsoring company pays to hire a space as part of staging an exhibition;
- A free VIP gig on the Terrace as part of a marketing campaign sponsored by a mobile phone network operator.

REQUIRED STEPS

- Identify a series of commercial programming rates and acceptable use policy;
- Create a sales pitch document for prospective hirers of this type showing the flexibility of the spaces, and develop appropriate marketing collateral.

RISKS

- There needs to be a balance with usage for parliamentary business but if the commercial activity is scaled up considerably the competing needs of clients will need to be balanced and choices made about which choices to pursue.

DELIVERY PARTNERS

If delivered in-house, this element would require extensive capacity building and staff training around event management and corporate hire management. In this instance, we would very strongly recommend the recruitment of an experienced events management and programming professional.

Alternatively, an external operator could be identified with the remit of managing the spaces on the House of Commons behalf.

5. BANQUETING / EVENTS

CONCEPT

The Houses of Parliament contain some of the most stunning and unique public rooms in the UK. Whilst parliamentary usage will always take precedence over external bookings, significant scope exists to generate income through the letting of space to non-members for banquets and events. Whilst Westminster Hall provides the benefits of size and historic setting there are many more rooms within the Palace of Westminster suited to smaller events that require prestige and exclusivity.

The recent Commonwealth Parliamentary Association Dinner in Westminster Hall demonstrated how a suite of rooms could be used for such an event, providing accommodation within the House of Lords for the reception drinks. Such an arrangement has significant commercial value to the private sector for which a premium room hire charge can be made. We understand that this space could be available for Friday and Saturday night events and during the recess. To maintain the exclusivity we propose that this arrangement be let up to 5 times per annum.

Westminster Hall could be let separately a further 10 times per annum without losing its prestige and exclusivity. Other rooms however, could be let more frequently according to availability, access and cost.

RECOMMENDATION

We recommend that the necessary organisation be set up for the selling of these rooms and delivery of service through one of the channels we have identified. One such method could be through Corporate Sponsorship (See Section 7) which would restrict access to these facilities to corporate members only. Most large events are often booked many years in advance which may require a few years for the full capacity to be reached as corporate sponsorship increases.

Another channel could be through an exclusive club with restrictive membership (again, see Section 7)

which entitles members to use a predetermined room or bar to entertain social or business guests. This would only operate whilst the Palace is in recess and is likely to require a mid market restaurant and a bar as a minimum service.

One further channel to be explored is private weddings which are permitted through making a one off donation to the up-keep of the Palace.

REQUIRED STEPS

- Seek approval for changing the policy on parliamentary members sponsoring events
- Create an internal sales and co-ordination department
- Package the commercial letting opportunities
- Clarify letting policies and procedures
- Identify and prepare the most appropriate rooms for external events
- Promote to target markets
- Consider security and physical delivery options

DELIVERY PARTNERS

Large scale events today require specialist operators. There are many reputable companies in London capable of providing this service and some venues prefer to work with a pre-selected panel of specialists from which clients may choose a caterer to provide their service. In view of the security and physical implications at the Palace of Westminster we would recommend the appointment of a single high end operator rather than using a panel. An additional benefit of this exclusive arrangement would be a higher commission on the sale of catering services. If the Jubilee Café was selected as a base for the external caterer to plate food prior to service in Westminster Hall then consideration could be given to offering the external caterer the opportunity to operate the day to day catering within this area as well.

For the more frequent smaller events, corporate members could be given the choice to use the external delivery partner or the in-house team. The Club could be operated as a pop-up for the recess period by an external operator.

RISKS

- We understand that heating of the Westminster Hall will not be possible without further consultation with English Heritage which would limit events to the warmer periods of the year.
- Consideration would have to be given to other activities that take place in the Hall for when events are due to take place, e.g. visitor tours.
- Parliament's reputation would need to be considered when reviewing applications for events in terms of type of event and method of delivery.
- The potential issue of shared kitchens will have to be resolved
- Access and security would have to be investigated but it is unlikely to be a greater problem than parliamentary members sponsoring events in the Palace at present.

REFERENCE CASES

#1 Somerset House

A Ceremony and wedding breakfast in the Courtauld Gallery, with dancing, maximum 80 guests is priced at £8,000 + VAT

Edmond J Safa Fountain Court, used as part of London Fashion Week, holds 450 people for a dinner dance or 1500 for a reception, with a hire charge of £30,000

#2: Banqueting House

The Main Hall can play host to up to 500 guests for a reception and hire of the venues start from £12,500 plus VAT (not inclusive of catering, photography, entertainment or decorations).

#3: Tower of London

New Armouries which holds 240 people has a room hire £15,000

#4: Hampton Court

Capacity of 600 people with an external space hire of £36,500

#5: Goodwood Estate

The Goodwood Estate is an example of how far you can stretch a programme of private events but still maintain brand integrity. The estate stages around

800 individual events, both corporate and private. The range is extremely broad from dinners to opera in the main house. Guests are generally affluent and represent the decision makers within their own businesses covering a broad spectrum of sectors. They currently have business partnerships with over 70 separate companies including Rolls-Royce, Cartier, Coutts, Rolex, Bonhams, BlackRock and Diageo. Social membership is available for £160. This is a card which gives discounts on a variety of activities around the estate and access to certain events in The Kennels (the Estate Clubhouse) across the year rather than a Members Club type offer (some of which are detailed below).

Around 1 million visitors also visit the estate each year in particular for key large-scale public events such as Glorious Goodwood and the Festival of Speed.

6. FILMING & PHOTOGRAPHY

Filming falls into two categories:

- Large scale feature filming and location work for movies / advertising: This is charged at significantly higher rates that are quoted on a case-by-case basis because of the disruption, budgets and loss of other income sources potentially such as visitor access which need to be compensated.
- Smaller documentary style shoots.

On top of this there are photography shoots. For example see Reference Case #1 for a fashion shoot at the Natural History Museum.

RISKS

Adequate safeguards should be taken to protect the estate. For example, the National Maritime Museum is typical of many museums who insist on a copy of a certificate of public liability insurance to enable filming/photography to take place. The level of insurance cover required is £10,000,000.

There are a number of specialist commercial location-finding agencies for film and photo-shoots and the Houses of Parliament should register for the key ones.

You do not normally pay to be on an agency's list, but they will charge a commission fee should your property be used via a referral from them. For example:

- www.locations-uk.com
- www.maxlocations.com
- www.medialocations.co.uk

There are also public agencies such as Film London (with which the Houses of Parliament are registered) which were set up in part to promote the capital as a filming location and access to Parliament would undoubtedly be one of the jewels in their crown so you would gain good exposure by linking

into these sorts of bodies. Currently Westminster Council, Royal Parks and the GLA are generating revenue by controlling a number of popular camera locations for exterior shots of Big Ben and the Houses of Parliament so steps should be taken to increase promotion of opportunities that make it clear that access to the interior is possible if this is a revenue generation opportunity we wish to pursue.

RECOMMENDATION

It is unlikely that the Houses of Parliament would be used for large scale film productions because of the security restrictions and impact on member services. However, there can be greater promotion of the venue for other forms of filming and photography shoots and a standard charging policy should be introduced.

REFERENCE CASES

#1: Natural History Museum

Filming is usually only permitted outside museum opening hours (10am to 6pm). Charges are based on crew size and start at £350 per hour.

#2: Historic Royal Palaces

The minimum fee for photography is also £350+ VAT per hour

7. PRIVATE INVESTMENT

CONCEPT

In Part I of this report we recommended that the House of Commons create a charity with a trading arm to cover all elements of the visitor attraction operation. We will not go over the benefits again in detail in this section, suffice to say that heritage and museum attractions with charitable status derive a considerable percentage (16% in 2009/10) of income from private sources and associated tax breaks. The necessity of balancing the books through a diverse funding mix of public, private and commercial also encourages a more enterprising and outward looking culture, which is an important by-product.

The major forms of private income raised by the cultural sector are from:

- Individuals
- Corporates
- Trusts and Foundations

The House of Commons currently derives little income from these sources and through the structural changes we suggest and investment in a new Development and Fundraising team we believe this could become a significant area of income for the organisation.

CONTEXT

Tax

There are considerable tax breaks available to charities that are not available to the House of Commons under its current organizational structure, principally Gift Aid allowing charities to reclaim tax on top of the donation (this works out at £1.25 for every £1 donated for a basic rate 20% tax payer for example). The Chancellor recently announced reforms in this areas that included enabling charities to claim Gift Aid on donations totaling up to £5,000 per charity without any paperwork, implementing an online claim system for the tax relief by 2013 and a 10 per cent tax break on inheritance tax for people whose wills include a 10 per cent legacy to charity.

Private income should be a mainstay of the funding mix of the Houses of Parliament but of course there are huge upswings where there are fundraising campaigns for particular causes or projects be that for restoration purposes (see Tower of London reference case #3) or new build such as Tate Modern 2 referred to earlier in this document.

CORPORATE MEMBERSHIP

Such would be the prestige associated with holding events at Parliament we intend to insist that companies become a corporate member to access them.

Usually there would be significant discounts for corporate members to use corporate hire under conventional museum and gallery corporate membership schemes but in the case of the Houses of Parliament we think you could flip this to say that you need to become a member (thus supporting the care of the building) in order to benefit from access to a very small number of event slots available each year.

We have targeted the sign up of 10 corporate members at £20,000 per annum. Tate for example has 29 members but some organisations such as the Royal Academy, which receives no government funding, and an extremely strong fundraising culture has closer to 100.

SPONSORSHIP

With reference to a sponsorship policy (see Recommendations) it would be possible to secure sponsors for a variety of projects which the Houses of Parliament would need to define to create causes that companies would want to support. The definition of sponsorship is that a return would be expected, in comparison with a donation (corporate or individual) which is defined as a gift. The return is likely to be some form of named association with the cause so it is a very public form of support hence the importance of both a policy which defines sponsor eligibility as well as pricing that ensures the Houses of Parliament secures maximum financial benefit from the partnership.

Sponsorship of cultural attractions amounted to £143.1 million in 2009/10.

INDIVIDUAL MEMBERSHIP

Private members clubs in major cities for business people to have an exclusive location to socialise and entertain clients have been a boom area.

One of the best known is the Soho House Group which operates the well-known Soho House and Shoreditch House properties targeted at the media and creative industries sector. It charges membership fees of £1000+ to join the network and make use of the clubs. Each member is usually allowed to sign-in up to 2 guests.

There is capacity and multiple spaces at the Houses of Parliament to create a very exclusive club with a very limited membership of no more than 1000 people.

The proposition would primarily be targeted at leading corporates who have budgets for their executives to use for this sort of entertaining.

Even though the club may only be accessible during certain parts of the year because of the business of state, we still believe you could charge a premium for what would be the most exclusive members club in London.

We understand there are security implications around this suggestion but running a membership club with just 1,000 members at £2,000 + VAT each would generate an annual income of £2,000,000 not to mention their food and drink spend, and there would be only additional costs because of the existing catering requirements. The experience would need to be centred on the terrace area which is the biggest draw for this level of fee. They would also potentially need access to a private room.

DONATIONS & LEGACIES

The House of Commons has already benefitted from occasional donations in the past on an ad hoc basis and the development team would professionalise the approach to this source of funding.

It should be noted that not all donations would fall into unrestricted funds as they may be given with a specific purpose in mind such as conservation or capital project.

ADVERTISING

This is clearly more of a commercial relationship but we have put it in this section as it makes sense for the Development Team to lead on all forms of corporate relationships. The Houses of Parliament has been subject of Projection Advertising campaigns in the past and as digital forms of advertising continue to grow it makes sense to have a policy in relation to this new source of income and to both regulate and also generate income where people wish to use the building as a billboard.

REQUIRED STEPS

- Identify full inventory of advertising opportunities;
- Open up conversations with outdoor media agencies such as Clear Channel or CBS Outdoor Media;
- Draft an advertising policy similar to that of TFL

FRIENDS / ANNUAL MEMBERS

Many organisations operate a subscription based friend scheme. Friends also provide an additional network to identify funders as well as undertaking direct fundraising activities themselves.

TRUSTS & FOUNDATIONS

There are numerous Trusts & Foundations whose specific purpose it is to give to cultural and education causes. Examples are the Foyle Foundation, Esmée Fairbairn Foundation and the Clore Foundation. They will support a combination of day-to-day activity, project activity and capital works.

RECOMMENDATIONS

- Develop a policy around donations and sponsorship so that there is absolute clarity about where the organisation will and won't accept donations. For example, the National Trust would not accept donations from oil companies as an environmental charity. The tolerance levels within the arts are relatively high with both the Royal Academy and the British Museum accepting donations and sponsorship from the tobacco company JTI for major exhibitions. We

would also recommend the Houses of Parliament form an ethics committee to deal with the more controversial cases such as this.

- Employ a senior Development professional to lead a new team to both cultivate these forms of income and handle donor care to maintain these hard-won new relationships.
- At the moment member privilege potentially undermines the corporate membership scheme, not to mention banqueting, events and other forms of corporate hire more generally. It is our view that members and the organisation more generally need to create greater clarity over when this should apply for the benefit of both parties, potential clients and in the public interest. Likewise in an age of austerity where Parliament needs to sweat its assets more effectively decisions will need to be taken on the scale and balance of privilege for parliamentary business versus paid usage.

REFERENCE CASES

#1: Westminster Abbey

In 2010 Westminster Abbey received £969,000 in donations and gifts.

#2: Google Art Project

The Google Art project is introducing new virtual visitors to institutions via a digital experience of their collections. The link they provide to museum websites means users will also potentially buy online reproductions and other products as well as tickets to see the real thing. Google have already offered the Houses of Parliament the opportunity to be part of the second phase of their Art Project, joining prestigious institutions such as Tate, the National Gallery, MoMA and The Met. Google provide technical infrastructure and promotion for the Parliament art collection.

#3: Man Group and Tower of London

Man Group PLC an investment management business made a major donation to conservation budget of Historic Royal Palaces that was used for work on the White Tower at the Tower of London (which is next to Man Group's offices). The company provides on-going support for HRP as a Premier corporate partner (this membership tier starts at £100,000+) that gives them access to

exclusive hospitality opportunities such as private dinners and staff events.

#4: St Paul's Foundation

The Foundation was established in 2000 as a separate registered charity and company. The original objective was for it to raise £40 million for the 300th anniversary campaign under the patronage of His Royal Highness The Prince of Wales.

This ambitious target was successfully achieved in 2008. The fund was used to enable the stonework of the entire building to be cleaned inside and out. A new education centre and gardens were created and extensive conservation works undertaken on objects in the Cathedral collection as well as host of access and facility upgrades.

#5: University of Cambridge 800th Anniversary Campaign

Universities are also an interesting benchmark for the Houses of Parliament as they have made significant strides in the previous 10-years to improve their fundraising capacity.

The University of Cambridge is the first university outside the US to raise over £1 billion in a fundraising campaign. The 800th Anniversary Campaign surpassed this figure two years ahead of schedule in June 2010 and over a period of less than 5-years (the total does not include more than £250 million of pledged bequests, a significant contribution over the long term).

The Campaign is the most ambitious educational fundraising drive ever undertaken in Europe attracting pledges from alumni (more than 45,000 contributed over one quarter of the total) as well friends globally. Many are making regular donations as well. The campaign is being used to create an endowment for the institution so it will last into the future.

#6: Soho House Group

Founded in 1995 as a members club for people in film, media and the creative industries. Annual Everyhouse membership (all venues) is £1200 per year (or £700 for a single venue) plus an initial £200 joining fee. Some other comparisons include Annabel's (£1000 per annum plus £1000 joining fee), The Groucho Club (£695 per annum plus £695 joining fee).

8. ROADMAP FOR THE HOUSE OF COMMONS COMMERCIAL STRATEGY

We have set out below the recommended 'road map' for the delivery and implementation of this strategy.

NEXT STEPS (UNTIL END OF 2011)

The delivery budget, proposed organisational structure and timeline have been prepared to stand the best chance of realising the estimated return on investment outlined in the strategy document. If and when these are approved, the House of Commons then requires support to move to the next level of detail and implementation over the next 12-months.

- Additional input will be required at least throughout November to explain the strategy and recommendations to multiple stakeholders, support the decision-making process, carry out any additional research, answer queries and to integrate any further ideas, recommendations and changes into the final agreed commercial strategy document.
- It is likely that further input would also be required to oversee the co-ordination and integration of other concurrent workstreams within the commercial strategy recommendations. Such examples may include working with the team looking at market testing of various services, reviewing and commenting on proposed efficiency savings and input to the PICT project looking at meeting room and event booking software.

OPTION A, B & C

Development Phase (January 2012 - March 2012)

Once a decision has been taken to proceed with any of the options the process would logically evolve from the analysis and idea-creation phase into the implementation of the wide-ranging commercial services laid out in the strategy.

This route implies that the House of Commons will ultimately employ a full-time Trust CEO / Director and other senior managers in addition to the operational-level team outlined in the strategy. A key task will therefore be the recruitment of this key role. In the interim, however, it is recommended that a senior officer or external project manager be appointed in the interim period of 3-4 months before a permanent appointment is made. The reason for this approach is that with the correct guidance, the organisation will be ready to embrace this significant shift and the permanent appointee to the role can hit the ground running. More specific tasks are envisaged to include:

- Identification of 'quick wins' from the Commercial Strategy that can be implemented with minimum capital outlay and disruption of the day to day operation. This approach ensures that time (and thus the potential to generate income) is not wasted while the recruitment process is completed.
- Developing an entrepreneurial mindset within the organisation as part of a culture shift to prepare the ground for the implementation of the commercial strategy.
- Policy development and change in relation to commercial versus member service priorities.
- Identify and highlight the necessary balance with other priorities such as operational challenges (infrastructure, maintenance and security) to optimise opportunities in relation to the commercial strategy.
- Development of more robust business cases for each strategy subset i.e. retail, banqueting etc. These individual strands should contribute to a comprehensive 3-year plan including comprehensive budget, resource requirements etc. (to be ready by March 2012)
- The development of person specification and subsequent recruitment process for the senior personnel i.e. Trust Director, Head of Commercial, Head of Fundraising etc. We anticipate appointment end of Q1 2012.

Implementation Phase (April 2012 - November 2012)

- The new appointees may need external assistance in the implementation of the strategy as this is ambitious and far-reaching in its scope given the current activities.
- This may also include direct support such as contract negotiation and supporting pitches to commercial partners that are identified in the strategy as well as any programme as well as help in the preparation of any materials required.

Although great care has been taken to ensure confidentiality, accuracy and completeness of this report, Tricon Foodservice Consultants Limited and CultureLabel Limited and its consultants are unable to accept legal responsibility for any actions taken on the basis of information contained within and advice provided. Its adoption is a matter of the judgement of the House of Commons and its staff.

OPTION B & C

In the case of these options which specifically advocate the development of a Charitable Trust and associated Trading Company, external support will be required in the setup process and guiding project management and the appointment of specialist professional services (accountancy, legal etc) in due course following full approval of these options.

OPTION C

This would involve an initial analysis of the work done to date on the proposed capital development. Our expectation is that this will need some updating and revision and will then require external support in the implementation and gearing up of the team and organisation to deliver such a major undertaking.

NOTE

Direct Delivery Of Services

It should be noted that some elements outlined in the strategy could be directly delivered by CultureLabel where the House of Commons deems this to be appropriate and suitable the agreement of mutually beneficial commercial terms are negotiated (e.g. eCommerce, Digital Ticketing, Print on Demand).