

Cairngorms Business Barometer 2012/13



Your Local
Chamber of Commerce
Working for You

Summary Report

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Introduction

Lynn Jones Research Ltd. (LJR) has undertaken an online quarterly barometer among predominantly tourism businesses in and around the Cairngorms National Park (hereafter referred to as 'Park') area since Q3 (July to September) 2009 latterly on behalf of Cairngorms Business Partnership (CBP) with support from Cairngorms National Park Authority, Highlands and Islands Enterprise, Highland Council and Scottish Enterprise.

During this time the Cairngorms Business Barometer (CBB) has independently tracked a range of key metrics, including net changes in the number of customers in the Park area from one year to the next and levels of business confidence in the short, medium and long term.

A mechanism such as the CBB is extremely important in order to provide a regular and robust assessment of the tourism economy for businesses and organisations across the Park area. The insight informs public and private sector decision making, for example investment decisions, and contributes to longer term planning as well as strategies and initiative to develop, improve and grow the tourism offering in the Park area.

This report provides a summary of the aggregated findings from the four quarterly surveys conducted between Q2 (April to June) 2012 and Q1 (January to March) 2013, inclusive. Similarities and differences with previous findings going back to Q3 2009 when the survey began are also outlined in order to develop an understanding of trends. Significant findings from the individual quarters during the period in 2012/13 are also discussed as too are key insights from cross-analysis of the responses by sub-area and business type.

Methodology

As in previous years, Visitrac¹ surveys were created at the start of each quarter to collect the required feedback from businesses based on the previous quarter.

Surveys were created for businesses in the following five sub-areas of the Park:

- Badenoch & Strathspey
- Royal Deeside
- Glenlivet
- Angus Glens
- Highland Perthshire.

An invitation email containing a link to the relevant survey was sent by LJR to business contacts in each of the five sub-areas. Reminder emails and messages were also sent to businesses by LJR and/or CBP to augment the response rate.

Sample

The vast majority of business contacts invited to participate in the survey represented tourism related businesses across the Park area. Contacts representing non-tourism related businesses made up the remainder of the sample.

A breakdown of survey responses by sub-area and quarter is detailed below in Figure 1.

¹ LJR's wholly owned and operated online survey system.

Figure 1

Sub Area & Period	Business Emails	Business Emails (% of Period Base)	Survey Responses	Survey Responses (% of Period Base)
Badenoch & Strathspey Q2 2012	590	66%	87	67%
Royal Deeside Q2 2012	221	25%	35	27%
Glenlivet Q2 2012	36	4%	3	2%
Angus Glens Q2 2012	9	1%	1	1%
Highland Perthshire Q2 2012	38	4%	3	2%
Q2 2012 (Total)	894	100%	129	100%
Badenoch & Strathspey Q3 2012	612	66%	77	63%
Royal Deeside Q3 2012	194	21%	35	29%
Glenlivet Q3 2012	56	6%	5	4%
Angus Glens Q3 2012	5	1%	1	1%
Highland Perthshire Q3 2012	58	6%	4	3%
Q3 2012 (Total)	925	100%	122	100%
Badenoch & Strathspey Q4 2012	612	60%	47	63%
Royal Deeside Q4 2012	301	29%	21	28%
Glenlivet Q4 2012	55	5%	6	8%
Angus Glens Q4 2012	4	0%	0	0%
Highland Perthshire Q4 2012	54	5%	1	1%
Q4 2012 (Total)	1026	100%	75	100%
Badenoch & Strathspey Q1 2013	724	69%	73	72%
Royal Deeside Q1 2013	202	19%	19	19%
Glenlivet Q1 2013	46	4%	6	6%
Angus Glens Q1 2013	9	1%	0	0%
Highland Perthshire Q1 2013	63	6%	4	4%
Q1 2013 (Total)	1044	100%	102	100%
Badenoch & Strathspey (Total)	2538	65%	284	66%
Royal Deeside (Total)	918	24%	110	26%
Glenlivet (Total)	193	5%	20	5%
Angus Glens (Total)	27	1%	2	0%
Highland Perthshire (Total)	213	5%	12	3%
CBB 2012/13 Total	3889	100%	428	100%

As shown in Figure 1, the overall sample for the analysis is 428² survey responses from businesses in 2012/13 and, as in previous years, the survey achieved a broadly representative spread of responses from businesses across each of the five sub-areas.

The response rate overall and for each sub-area in 2012/13 is shown in Figure 2 below:

Figure 2

Badenoch & Strathspey (Total)	11%
Royal Deeside (Total)	12%
Glenlivet (Total)	10%
Angus Glens (Total)	7%
Highland Perthshire (Total)	6%
CBB 2012/13 Total	11%

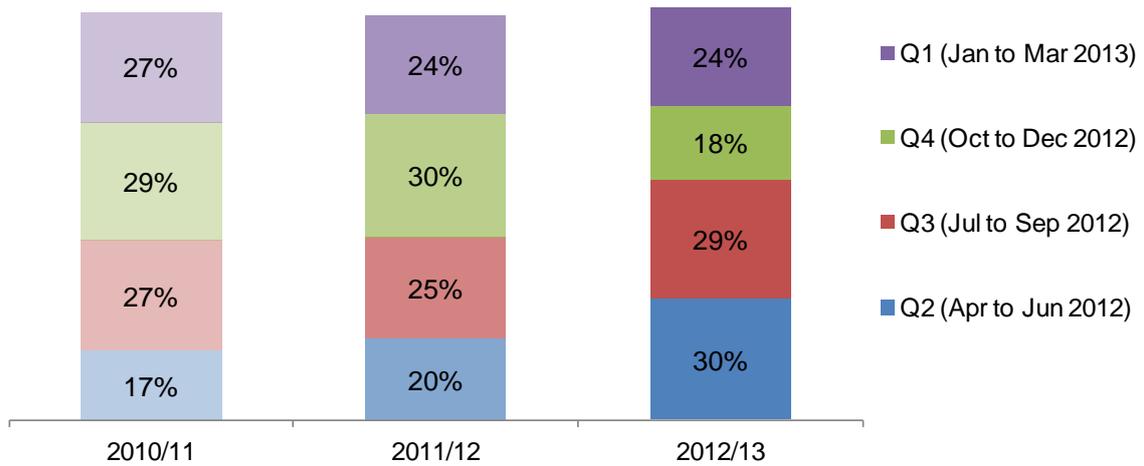
² Note that sections of analysis within the report are based on smaller sub-samples of responses.

Key findings

Sample

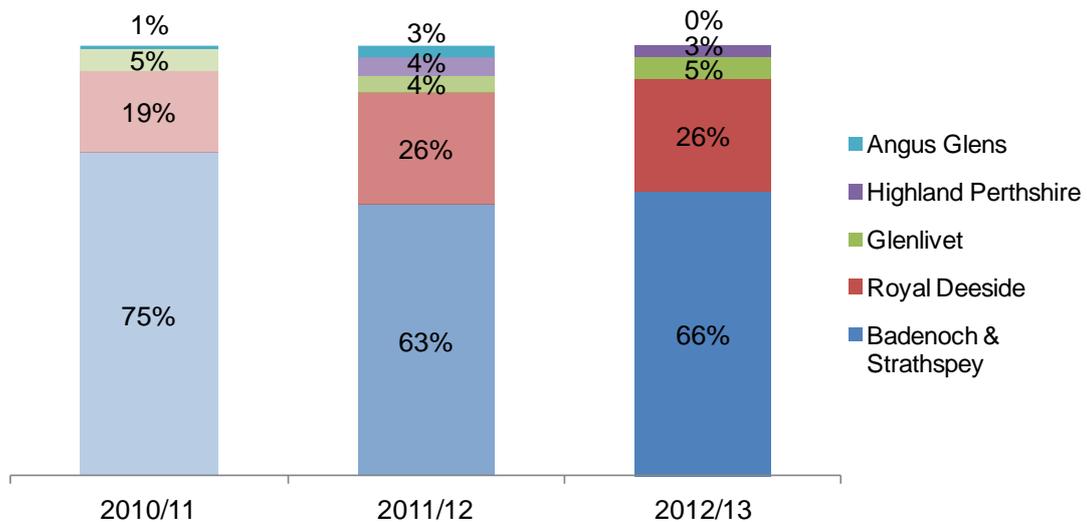
Quarter

The survey achieved a broadly even share of responses from businesses in each of the four quarters of 2012/13. Some differences in the composition of the sample by quarterly time period were, however, evident compared to the previous two years as proportionally more responses for the Q2 period (i.e. April to June) and fewer responses for the Q4 period (i.e. October to December) were achieved.



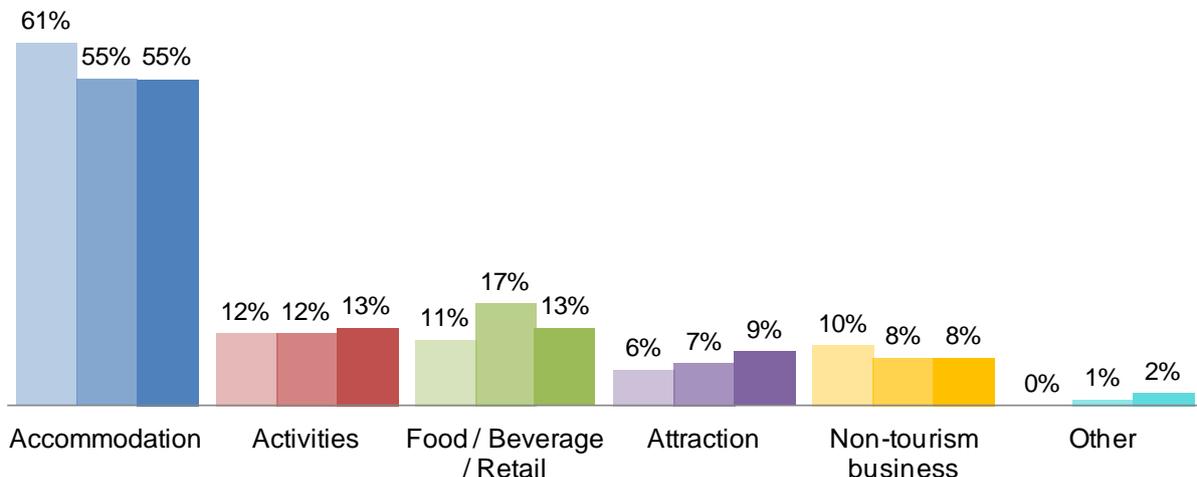
Sub-area

As in previous years, businesses from Badenoch & Strathspey (66% in 2012/13) formed the majority of the sample. Royal Deeside businesses made up 26% and the remaining few responses were divided among businesses from Glenlivet, Angus Glens and Highland Perthshire areas.



Sector

As in previous years, accommodation providers were the most common type of business by far to respond to the survey accounting for just over half of the sample during the year. Again similar to previous years, the share of the remaining responses was fairly evenly spread among the three other types of tourism business and non-tourism businesses.



Note: 2010/11 = light shaded bars (to the left); 2011/12 = medium shaded bars (in the middle); 2012/13 = dark shaded bars (to the right)

Bed & Breakfasts and self catering properties made up the vast majority of the accommodation providers sample (77% in 2012/13 compared to 71% in 2011/12 and 75% in 2010/11).

Membership

Similar to last year but above 2010/11, 65% of businesses indicated they were a member of either a DMO (destination management organisation) and/or the Cairngorms Business Partnership. The Federation of Small Businesses (FSB) was again the second most common membership organisation among businesses (27% this year). The proportion of businesses stating that they were not a member of any organisation was consistent with 2011/12 at 11% but below that of 2010/11 (18%).

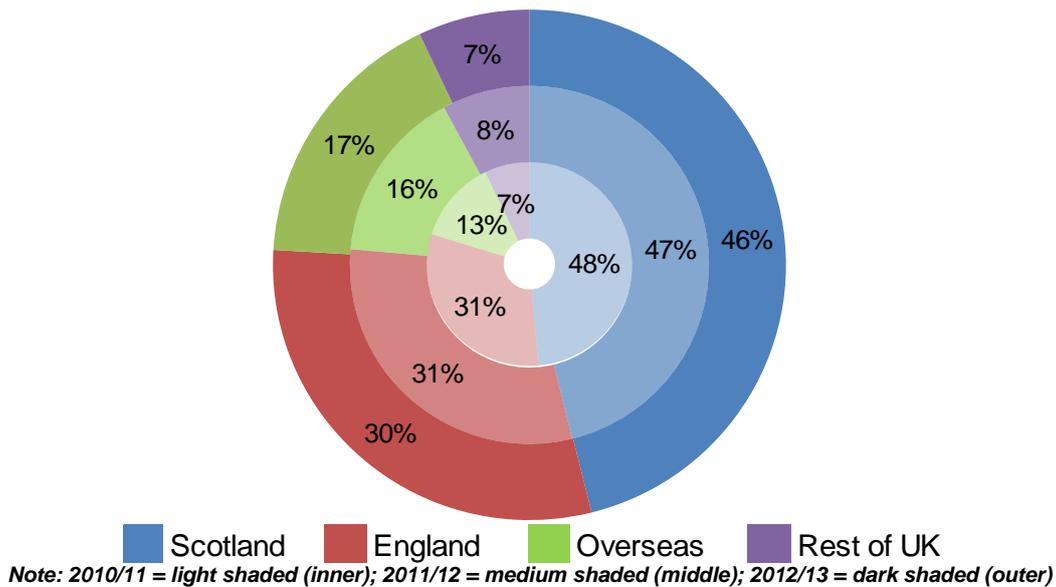
Customer profile

Businesses were asked to estimate their mix of customers during each quarter in terms of origin and type (i.e. first or repeat customer).

Origin of customers

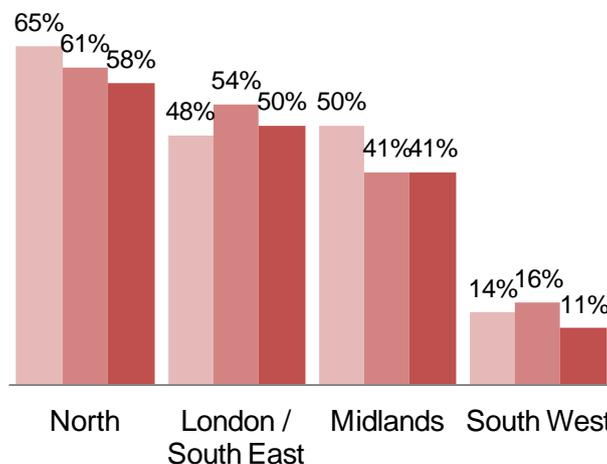
Visitors from Scotland were once again most common, making up just under half of all customers in the Park area. As seen in previous years, Q4 recorded the highest proportion of Scottish visitors whilst Q2 and Q3 which span the summer season saw proportionally fewer visitors from Scotland and more visitors from overseas.

Visitors from England consistently made up 30% of the customer base in the Park area and those from overseas accounted for around 20% overall but, as described above, were more common during Q2 and Q3 (and less common in Q1 and Q4).



Activity operators and retail and catering businesses traded with more local customers compared to accommodation providers and attractions. It was also apparent from the cross-analysis that Badenoch & Strathspey businesses were more reliant on domestic trade than those in Royal Deeside.

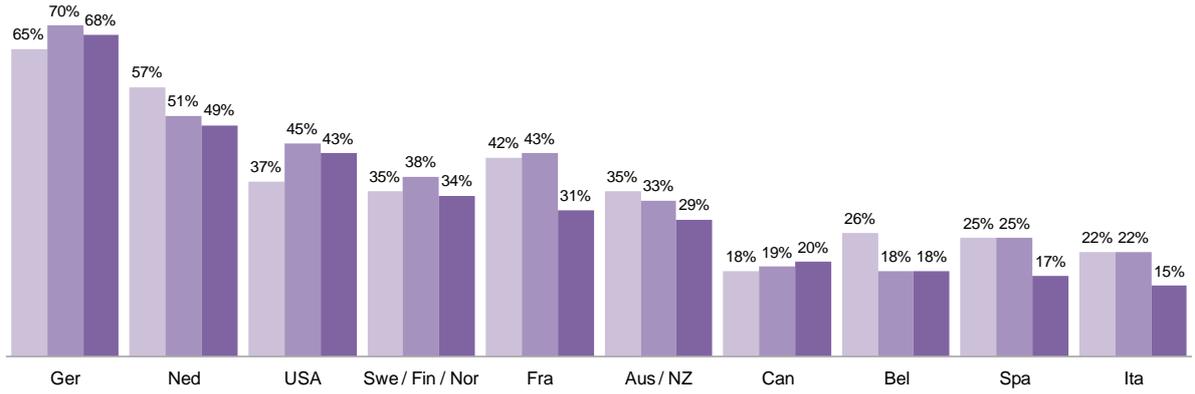
The key English regions continued to be North (58%) and London / South East (50%). However, the 2012/13 figures show a lower turn out of customers from these areas compared to previous years.



Note: 2010/11 = light shaded bars (to the left); 2011/12 = medium shaded bars (in the middle); 2012/13 = dark shaded bars (to the right)

Key overseas markets were quite stable compared to last year as the Park attracted similar proportions of visitors from Germany (68%), Netherlands (49%) and USA (43%). There were, however, notable falls in the number of visitors from a few important overseas markets. They were:

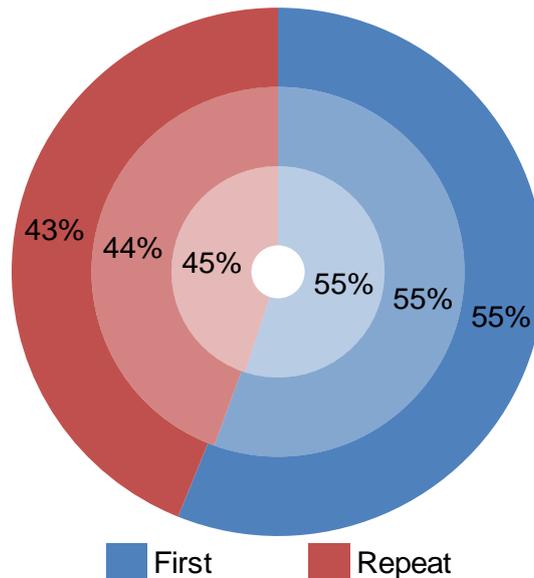
- France – the most fifth most common overseas country – which fell from 43% in 2011/12 to 31% this year.
- Spain – the ninth most common overseas country – which fell from 25% to 17%.
- Italy – the tenth most common overseas country – which fell from 22% to 15%.



Note: 2010/11 = light shaded bars (to the left); 2011/12 = medium shaded bars (in the middle); 2012/13 = dark shaded bars (to the right)

Type of customers

As in previous years, first time customers accounted for just over half of the overall customer base in the Park area. Q2 and Q3 recorded the widest gap between the proportion of first time and repeat visitors in the area which was consistent with the trend of more overseas visitors during the period. The opposite was true in Q4 when the Park attracted the highest proportion of repeat customers (and the highest proportion of customers from Scotland).



Note: 2010/11 = light shaded (inner); 2011/12 = medium shaded (middle); 2012/13 = dark shaded (outer)

Repeating the trend of previous years, retail and catering businesses engaged with significantly more repeat customers than other businesses in the Park area. Unlike accommodation providers, attractions and activity operators, these businesses were more likely to trade with repeat customers than first time customers.

Interestingly, despite attracting a more local base of customers, businesses in Badenoch & Strathspey engaged with proportionally more first time customers than their counterparts in Royal Deeside.

Business levels

Businesses were asked about performance each quarter compared to the same quarter a year ago in terms of customer numbers and turnover. They were also asked about how they expected to perform in the next 12 months compared to their current level of performance.

Customer numbers and turnover

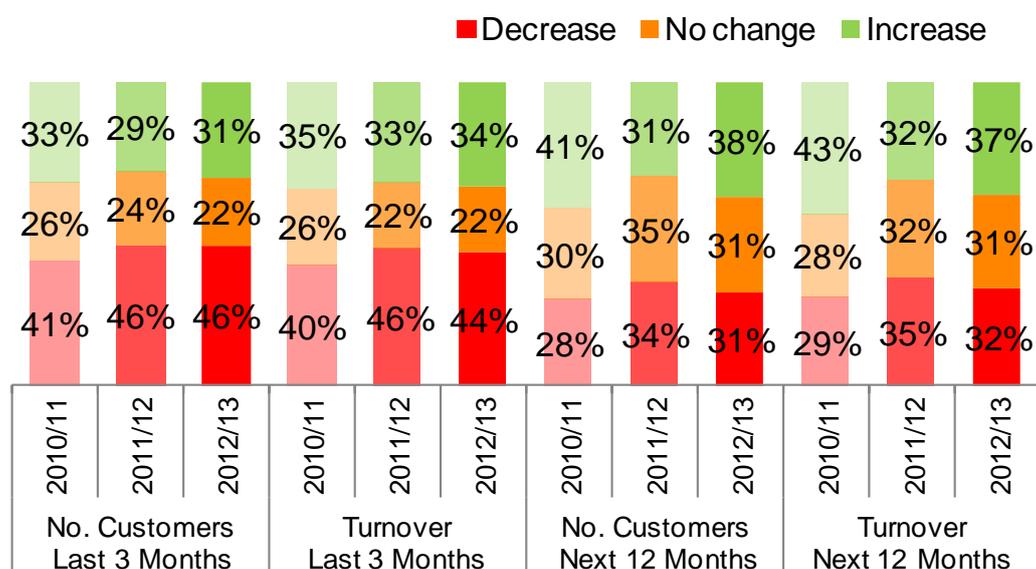
Businesses across the Park area welcomed fewer customers and generated lower turnover overall compared to 2011/12 and 2010/11. The rate of decline in business levels was roughly on par with last year and slightly more severe than in 2010/11 with nearly 50% of businesses indicating reductions in trade compared to the same period a year ago.

There was, however, evidence of improving trading conditions during the year as the declines in customer numbers and turnover shrunk quarter-on-quarter. In Q1 2013 businesses recorded a growth in business levels which bucked the trend of the previous five quarters. Given this recent change in the trend, it will be particularly interesting to see if improving conditions continue in the coming quarters of 2013.

Consistent with previous years' findings, Royal Deeside businesses were more likely to indicate lower levels of business than those from Badenoch & Strathspey. Also, catering and retail businesses were much more likely than other tourism businesses to report fewer customers and lower turnover.

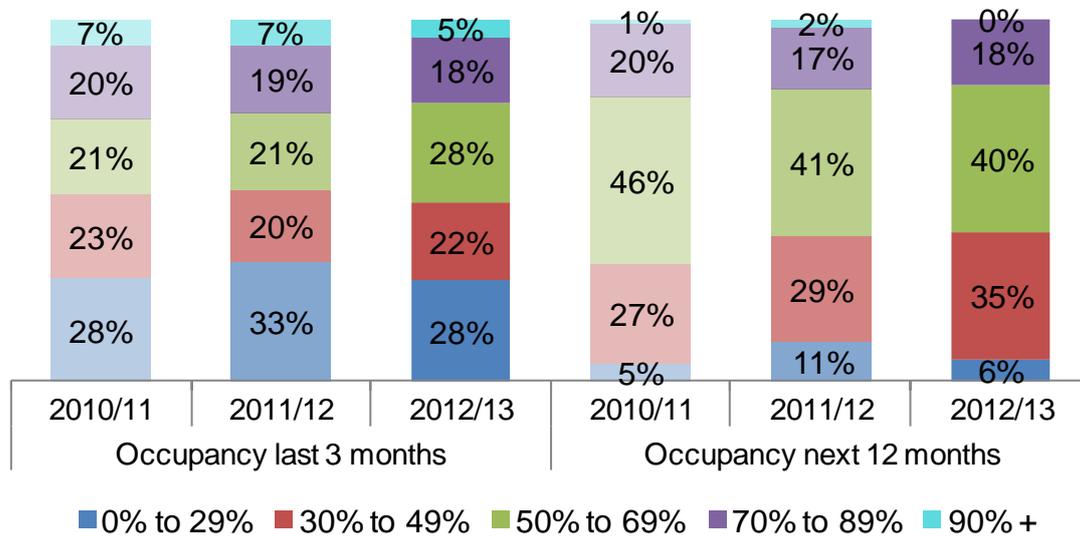
Whilst slightly below 2010/11 levels, more businesses expected customer numbers and turnover to rise in the year ahead compared to 2011/12. Following a net decline in overall levels of business recorded last year, businesses expected to increase customers and turnover, albeit slightly, in the coming 12 months. Although there was stronger growth previously in 2010/11, the results of 2012/13 are a positive indication that business levels are now on an upward trend.

In line with the strong performance achieved during the quarter, expectations of future levels of business were particularly optimistic in Q1 2013 as the proportion expecting to increase business in the year ahead was at the highest level for over 3 years.



Occupancy

Occupancy levels were broadly consistent with previous years with around half of accommodation providers recording average occupancy of 50% or less during the year. As seen in previous years, Q2 and Q3 achieved higher levels of occupancy than Q4 and Q1. It is worth noting, however, that this year recorded notably lower occupancy in the summer season quarters of Q2 and Q3 than in 2011/12 and in 2010/11.



When asked to consider the next 12 months, accommodation providers expected a similar level of performance as recorded in previous years. Occupancy of 50% to 69% was the most common response given (40% in 2012/13) followed by 30% to 49% (35%).

Whilst overall performance and expectations of future performance were broadly similar to previous years, a particularly buoyant assessment in Q1 2013 helped to offset comparatively poorer results compared to previous years in earlier quarters of 2012/13.

Levels of investment

Businesses were asked to estimate changes in investment in staff training, marketing and promotion, and buildings and infrastructure compared to the same quarter a year ago. They were also asked how much they expected to change their current level of investment in these areas over the next 12 months.

Staff training

As in previous years, the vast majority of businesses invested the same amount on staff training. There was no overall net change in the amount invested in staff training which was a repeat of the trend in previous years.

Overall businesses expected to make a small increase in staff training investment in the year ahead although most businesses indicated investment in this aspect would remain unchanged. That said, in Q4 2012 and Q1 2013 there were more signs than in the previous two years that businesses expected to increase their investment in staff training.

Marketing and promotion

Businesses reported a small rise which was similar to previous years in terms of marketing and promotion investment. This trend, however, was not apparent among catering and retail businesses who demonstrated a net decrease in marketing investment

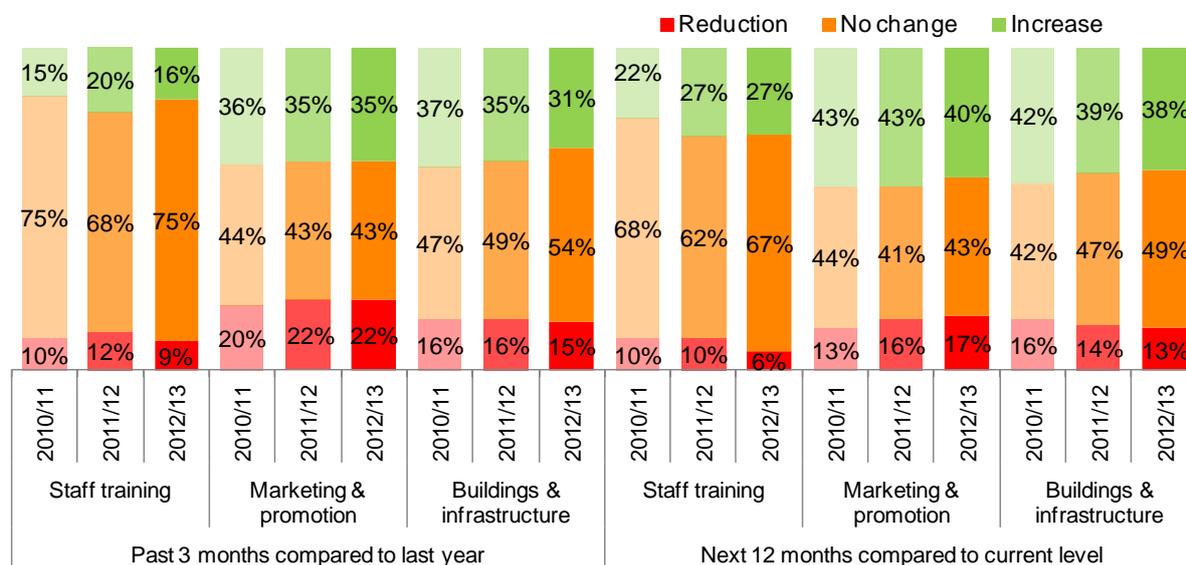
Reflective of the positive trading figures recorded in the quarter, Q1 2013 saw a significant upturn as notably fewer businesses reduced their marketing spend compared to a year ago.

Similar to the previous two years, businesses indicated that they were quite likely to increase marketing and promotion investment over the next 12 months although the rate of increase was slightly less pronounced this year than previously.

Buildings and infrastructure

An overall increase in buildings and infrastructure investment was apparent which was consistent with the previous two years. As in previous years though, around a half of businesses underwent no change investing in their buildings and infrastructure. Again demonstrative of improved trading conditions, Q1 2013 saw the highest reported increase in product investment on a quarterly basis for nearly two years.

Projected levels of infrastructure investment were similar to those of 2011/12 and 2010/11, but below earlier quarters in 2010 and 2009, as around 40% of businesses anticipated an increase in buildings investment over the next 12 months. Q1 2013 was, again, worth noting as more businesses than in the previous two years indicated that they intended to increase infrastructure investment.



Costs

Businesses were asked to estimate how much staff, supplier and administration costs had changed compared to the same period a year previously. They were also asked how much they anticipated these costs would change over the next 12 months.

Staff costs

Staff costs increased at a similar moderate rate to the previous two years as 40% of businesses indicated an increase.

These costs were projected to increase by slightly more than the current rate in the coming 12 months which was, again, consistent with the findings in 2010/11 and 2011/12.

It appears that staff costs are a greater cause for concern for attractions and retail and catering businesses as they indicated above average cost increases than other tourism businesses.

Supplier costs

Increases in supplier costs have consistently outstripped other cost increases. The trend was repeated in 2012/13 as 81% of businesses suffered higher supplier costs compared to a year ago (30% more compared to the next steepest cost category: administration). The rate of increase though this year was broadly on par with the last two years but more severe than in recorded in 2009.

Activity operators seemed more immune to increasing supplier costs whilst the opposite was true for accommodation providers and retail and catering businesses. Comparatively steeper increases in supplier costs were also seen in Royal Deeside than in Badenoch & Strathspey.

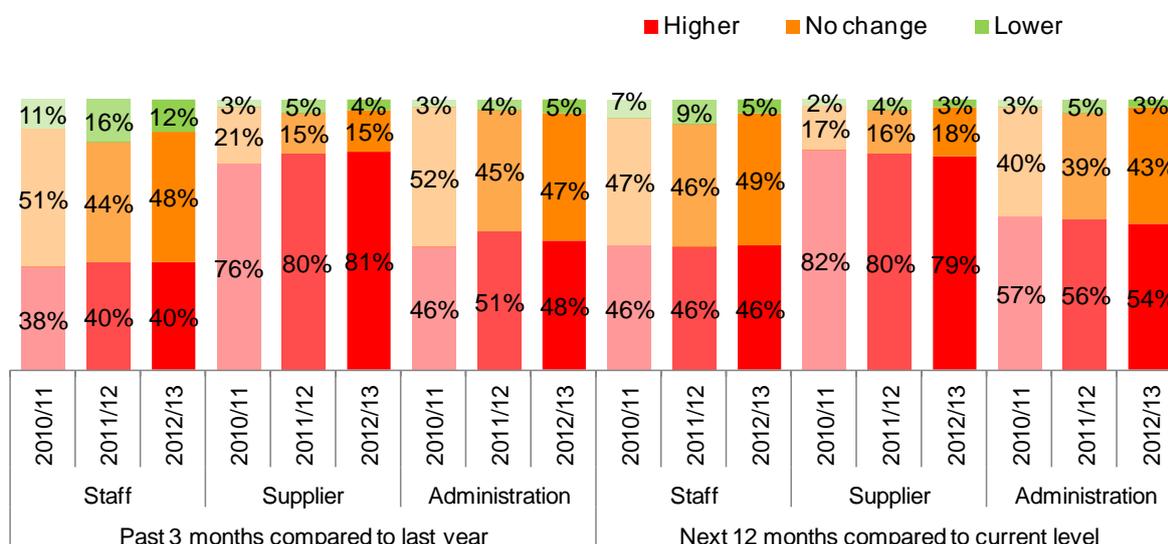
Looking forward to the next 12 months, supplier costs were expected to continue increasing by roughly the same amount. This anticipated rate of increase was, however, slightly below that of the previous two years.

Administration costs

Administration costs increased although the increase was slightly less than last year and in 2010/11.

Retail and catering businesses were more likely than other tourism businesses to cite increasing administration costs which highlights a particular challenge these businesses appear to be facing.

Consistent with the previous two years, administrative costs were expected to continuing increasing in the year ahead but at slightly more rapid rate compared to the last year.

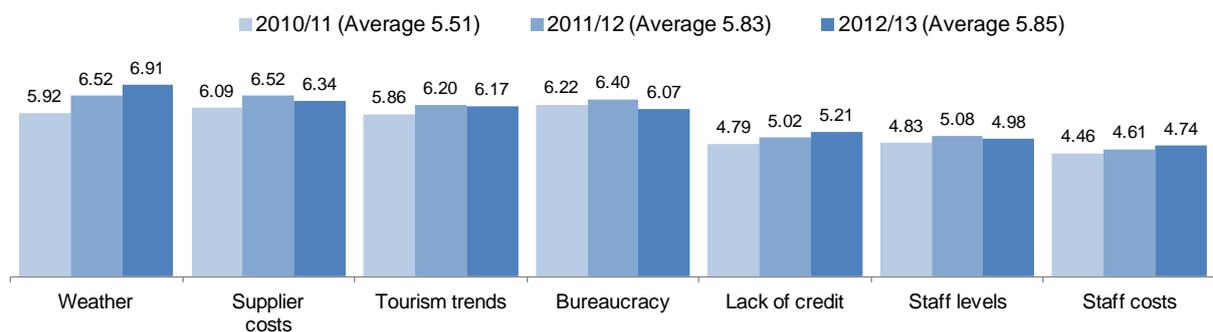


Barriers to growth

A range of seven potential barriers to growth were listed in the survey and each quarter businesses were asked to rate the significance of each aspect using a rating scale from 1 to 10, where 1 was 'not at all a barrier' and 10 was 'very much a barrier'.

The weighted average barrier to growth score was 5.85 which was almost identical to 2011/12 (5.83). However, the weighted average barrier to growth score in 2010/11 was 5.51 which suggests that 2012/13 was generally a tougher trading environment compared to 2010/11.

Sentiment was broadly similar across the four quarters as businesses attributed similar average barrier to growth scores which ranged from 5.77 in Q2 2012 to 5.97 in Q4 2012.



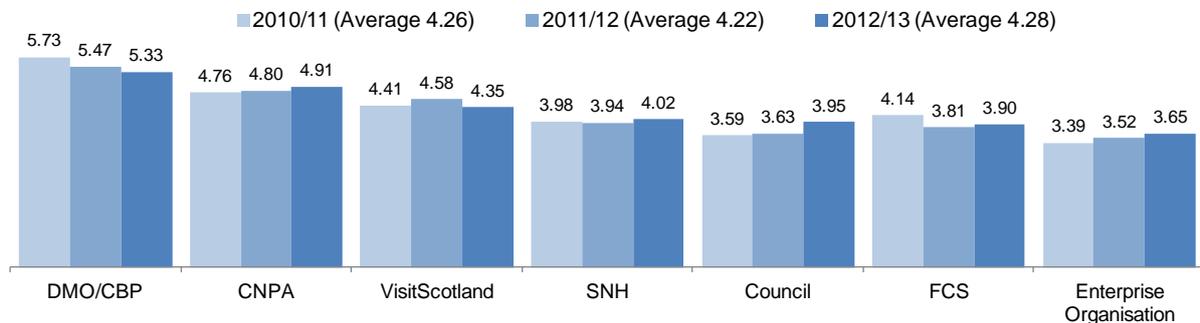
Increasing considerably from last year and also well above 2010/11, weather was considered to be the most significant barrier to growth (6.91 in 2012/13). In both Q4 2012 and Q1 2013 this factor was rated higher (i.e. more negatively) than in any previous comparable quarter.

Supplier costs, followed by tourism trends and bureaucracy were also rated fairly highly (all above 6 out of 10); the former though fell from last year when it was rated the equal highest. Meanwhile, the two barriers associated with staffing were rated the lowest (i.e. were considered to be less of an obstacle).

Consistent with other findings in the survey, there was evidence of there being comparatively more challenges for catering and retail providers as they consistently scored the potential barriers above the overall average. Meanwhile, activity operators tended to underrate the significance of the potential barriers, rating only weather (7.38) above the overall average.

External support

Businesses were asked to rate the contribution of organisations operating in the Park area using a 1 to 10 rating scale, where 1 was 'very poor contribution' and 10 was 'very good contribution'.



Broadly similar to 2011/12 and 2010/11, the perceived overall contribution of organisations in the Park area playing a role in tourism was rated at 4.28 out of 10.

The contribution of the organisations was perceived to improve quite significantly in the second half of 2012/13 as Q4 2012 achieved the highest average contribution score (4.56) since the survey began over 3 years ago and Q1 2013 maintained this improvement (4.51).

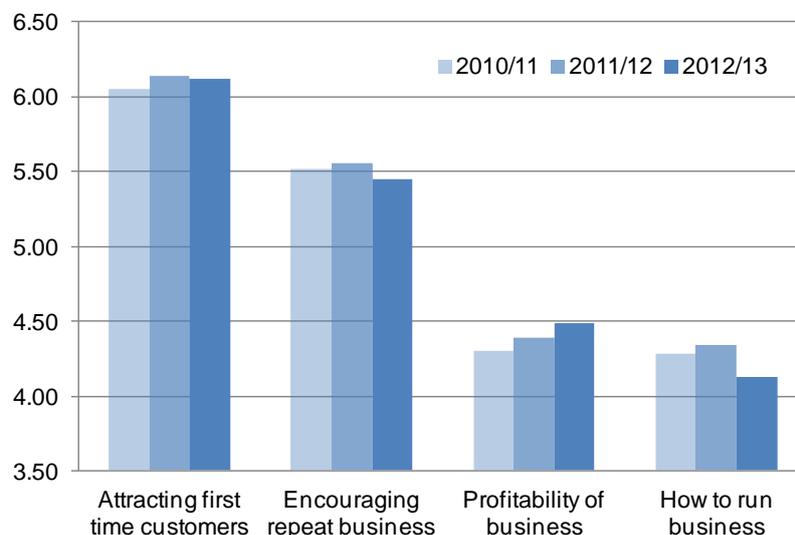
DMOs/CBP continued to be rated most positively but the services and support they provided in 2012/13 were rated lower than in 2011/12 and much lower compared to 2010/11.

The opposite was evident for CNPA, Councils and Enterprise Organisation as each organisation achieved year-on-year improvements – the latter two organisations, however, continued to be rated significantly below the overall average.

The role of VisitScotland continued to be perceived relatively positively, however, a notable fall compared to 2011/12 was apparent.

Influence of Cairngorms National Park

Using a rating scale from 1 to 10, where 1 was 'not at all influential' and 10 was 'very influential', businesses were asked to rate the influence of CNP in terms of attracting first and repeat customers and also in terms of its impact on their business operations and profitability.



2012/13 saw a continuation of the perception that the Park plays a greater role in attracting first time customers than repeat ones to the area. As in previous years, the Park was considered to have an overall medium level of influence in attracting both first and repeat customers as scores for these aspects ranged between 5 and 6 out of 10.

The influence of the Park in encouraging repeat customers increased each quarter throughout the year from 4.74 in Q2 2012 to 6.08 in Q1 2013 – the highest level recorded in the survey. Businesses also considered the Park to be notably more important in attracting first time customers during the second half of 2012/13 as the scores achieved in Q4 and Q1 were well above Q2 and Q3.

The Park's ability to affect the profitability of businesses continued to rise slightly, increasing from an average score of 4.39 in 2011/12 to 4.49 this year. Q1 2013 was again highlighted as an exceptional quarter as businesses for the first time in the survey considered the Park as having a medium – rather than a low – level of influence on profitability as an average score above 5 out of 10 was attributed.

The influence of the Park on business operations fell to a new low level overall. Higher scores were, however, achieved in the latter half of 2012/13 which is aligned to the improving optimism and business performance during that period. In Q1 2013 businesses considered the Park as having a medium level of influence (5.08) which was above that of previous quarters in 2012/13 and, again, above any previous quarterly score since the survey began in Q3 2009.

Business confidence

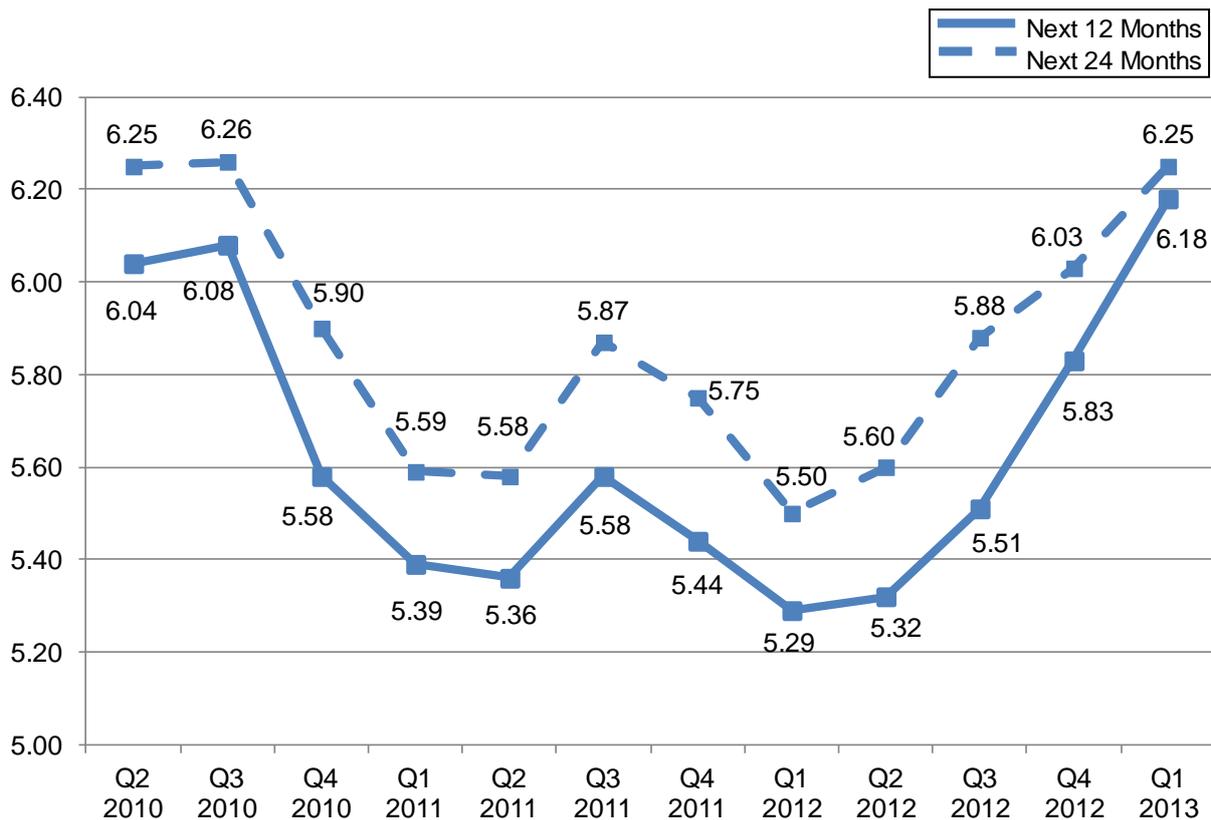
Businesses were asked to rate their short, medium and long term confidence using a 1 to 10 rating scale, where 1 was 'very low' and 10 was 'very high'.

Confidence in the short term (i.e. next three months) rose significantly compared to 2011/12 but was on par with 2010/11. A trend of increasing confidence quarter-on-quarter was evident with Q1 2013 recording the highest rating for short term confidence in nearly three years (6.05).

Averages	2010/11	2011/12	2012/13
Next 3 Months	5.31	4.93	5.31
Next 12 Months	5.75	5.42	5.67
Next 24 Months	5.97	5.69	5.91

Confidence in the next 12 months was higher than last year but slightly below the level of 2010/11. Similar to the short term confidence trend, medium term confidence improved quarter-on-quarter during the year from an all time low of 5.29 in Q1 2012 to a three and a half year high of 6.18 in Q1 2013.

Whilst still slightly below two years ago, 2012/13 saw an improvement in long term (i.e. next two years) confidence compared to 2011/12. As was the case with in the ratings for the medium term, long term confidence ratings improved for four consecutive quarters rising throughout 2012/13 and peaking at 6.25 in Q1 2013 which was the highest long term confidence score since Q3 2010.



The small sample of non-tourism businesses tended to rate short, medium and long term confidence higher than tourism businesses overall. Attractions had the most positive outlook rating long term confidence at 6.13 whilst the opposite was true for catering and retail providers (5.33).

Badenoch & Strathspey businesses were generally more confident about the future as they consistently scored short, medium and long term confidence higher businesses from Royal Deeside.

Conclusions

In line with other economic indicators and the broader economic outlook, results from the survey highlight that 2012/13 as a whole was a challenging year. Whilst there were few discernible differences among the types of customers going to the Park area; there were strong suggestions of reductions in volume and value of these customers. Business levels, including occupancy, were below 2011/12 and well below the heady figures of 2010/11.

Interestingly, though the poorer performance in 2012/13 did not translate to heightened perceptions of barriers; the average barrier to grow score was roughly on par with last year. This suggests the 2012/13 results were influenced comparatively more than in recent years by the wider economic situation; diminishing consumer confidence and the Eurozone crisis are an example of two issues which have inevitably adversely impacted on trade in the Park area.

The perception of weather as a barrier was, however, notably more prominent in 2012/13 and was more negatively rated than in any previous period of the survey. Dealing with the impact and disruption of 'poor' (be it snow or no snow!) weather is becoming an increasing challenge. Tourism businesses should be encouraged to devise alternatives for their customers in the event of 'poor' weather. Collaboration and initiatives to offer tourism

experiences to suit all weather conditions will send important messages to customers that there is plenty to do in the Park area throughout the year and in all weather.

Despite the declining trade, business confidence in 2012/13 was higher than in 2011/12. This finding was, however, largely the result of improving performance during the second half of the year period as reductions in business levels in Q2 and Q3 were neutralised in Q4 before being offset in Q1. The final quarter of the year – Q1 2013 – was quite remarkable in the context of other recent quarters as business levels were above those of the previous two and half years and business outlook was roughly on par with that of early 2010.

Rapidly decreasing levels of trade and deteriorating business confidence to record low levels were two especially gloomy findings from the survey just over a year ago in Q1 2012. However, the recent upward trends recorded in Q1 2013 paint a very different and much more promising scene of the tourism economy and the outlook of tourism operators in the Park area. In light of such starkly divergent data separated by only twelve months it will be especially interesting to see how businesses fare in the remaining quarters of 2013.