

Introduction

- ▶ Each quarter, the Cairngorms Business Barometer (CBB) seeks feedback from business operators across the Cairngorms National Park (CNP) on a range of aspects including ongoing performance and confidence in the future which allows for a quarterly assessment of the 'health' of the tourism economy in the Park area.

Summarised below are the key findings from the latest CBB online survey which was distributed to businesses in July 2016 and asked operators to consider their performance during the second quarter of the year (April to June). The results from previous surveys are also shown to enable year-on-year comparisons and an understanding of ongoing trends.

101 businesses from across the CNP area contributed their views this quarter - this compares to 101 last quarter.

Executive Summary

- ▶ There was continued evidence that Park businesses engage with a more local customer base compared to a few years ago. The shift being driven by fewer visitors from England and more Scottish visitors.
- ▶ More businesses indicated a reduction in customer numbers and flat turnover compared to the same quarter last year. Whilst business levels were expected to grow in the next 12 months, expectations of growth were muted compared to recent Q2 periods.
- ▶ Accommodation providers appeared to buck the trend across the area as average occupancy was above last year and their expectations for the next 12 months were more upbeat than in Q2 2015 and Q2 2014.
- ▶ A lack of affordable accommodation has negatively impacted around a third of new job positions recruited for in the Park in the last 3 years. Whilst housing shortages was rated moderately overall, a third of businesses consider it a major issue.
- ▶ Overall perceptions of barriers to growth were similar to recent Q2 periods and slightly less negative compared to the Q2 Average. Staff cost challenges were more pronounced compared to last year.
- ▶ The perceived role of the Cairngorms National Park in attracting first time visitors to the area was more evident than in recent quarters and was well above the Q2 Average.
- ▶ Business confidence in the short, medium and long term was rated well below last year. At 5.99, the lowest Average Confidence Score - factoring in medium and long term confidence - since Q4 2012 was recorded.

Cairngorms Business Partnership Commentary

- ▶ "The latest Barometer findings highlight a dip in business levels from last year and point towards reduced confidence in the future among tourism businesses in the Cairngorms. The current economic and political instability arising from Brexit is likely to have influenced the sentiment recorded in this survey. Whilst overall business performance was flat or slightly negative, it is encouraging that businesses have indicated trading conditions that are comparable with recent years evidenced by a similar perception of barriers to growth. That said, staff costs was flagged as a greater issue this year!"

* For an example of the quarterly questionnaire, [please click here](#).

Dashboard Summary

Origin	Q2 2016	Q2 2015	Q2 Average
Scotland	45%	43%	43% ▲
England	27%	28%	30% ▼
Overseas	21%	22%	21% ↔

Mix of customers during quarter compared to last year and quarter average.

Business Levels	Q2 2016	Q2 2015	Q2 Average	
Customers	- Last 3 months	-4%	14%	▼ -1%
	- Next 12 months	17%	25%	▼ 8%
Turnover	- Last 3 months	7%	20%	▼ 5%
	- Next 12 months	18%	27%	▼ 8%

Net business level changes in last 3 months and in next 12 months compared to last year and quarter average.

Costs	Q2 2016	Q2 2015	Q2 Average	
Staff	- Last 3 months	47%	47%	↔ 40%
	- Next 12 months	35%	36%	▼ 38%
Supplier	- Last 3 months	53%	56%	▼ 70%
	- Next 12 months	61%	57%	▲ 71%
Administration	- Last 3 months	31%	33%	▼ 44%
	- Next 12 months	34%	35%	▼ 45%

Net cost changes in last 3 months and in next 12 months compared to last year and quarter average.

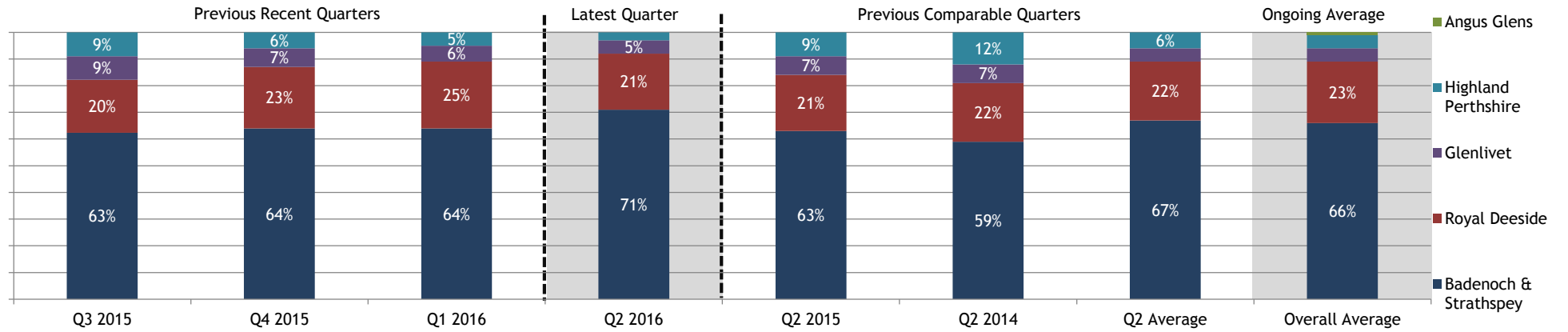
Barriers	Q2 2016	Q2 2015	Q2 Average
Average	5.36	5.38	5.52 ▼
Bureaucracy	6.47	6.24	6.13 ▲
Tourism Trends	5.91	5.56	6.02 ▼
Weather	5.89	6.26	6.33 ▼

Overall average and individual barrier to growth scores for top 3 factors compared to last year and quarter average.

Business Confidence	Q2 2016	Q2 2015	Q2 Average
Next 3 Months	6.23	6.77	6.26 ▼
Next 12 Months	5.97	6.56	5.90 ▲
Next 24 Months	6.01	6.51	6.00 ▲

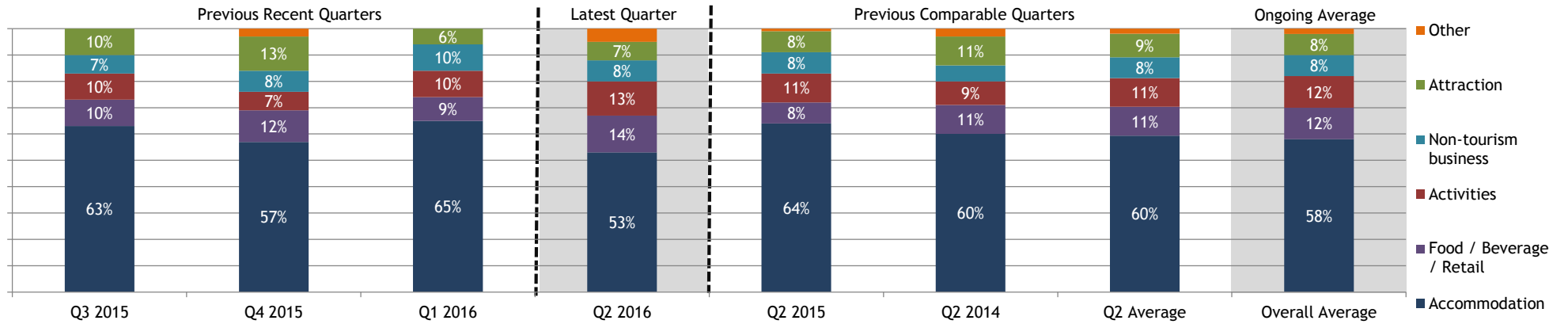
Business confidence over short, medium and long term compared to last year and quarter average.

Area



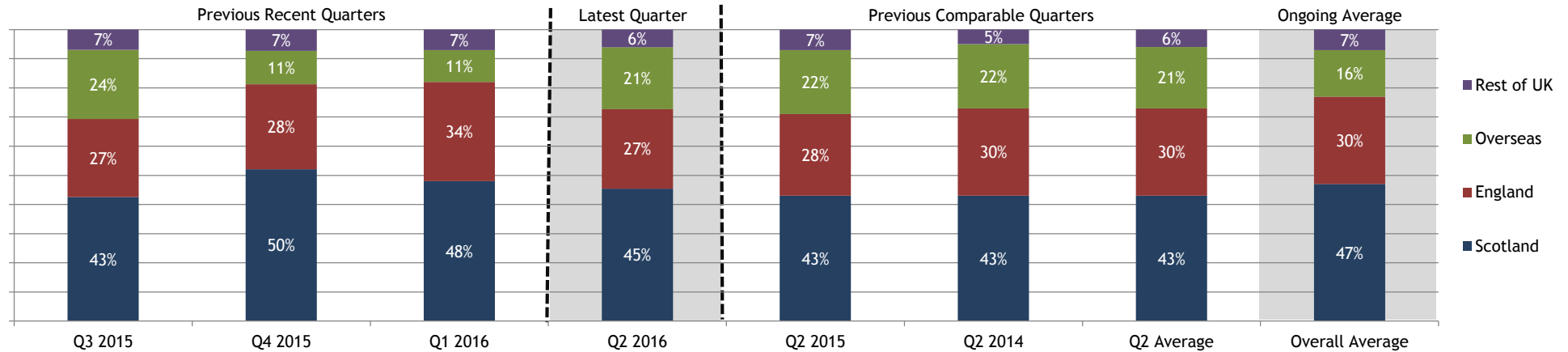
► The sample was comprised as follows this quarter: Badenoch & Strathspey businesses (71%), Royal Deeside (21%), Glenlivet (5%), Highland Perthshire (3%) and Angus Glens (0%).

Sector



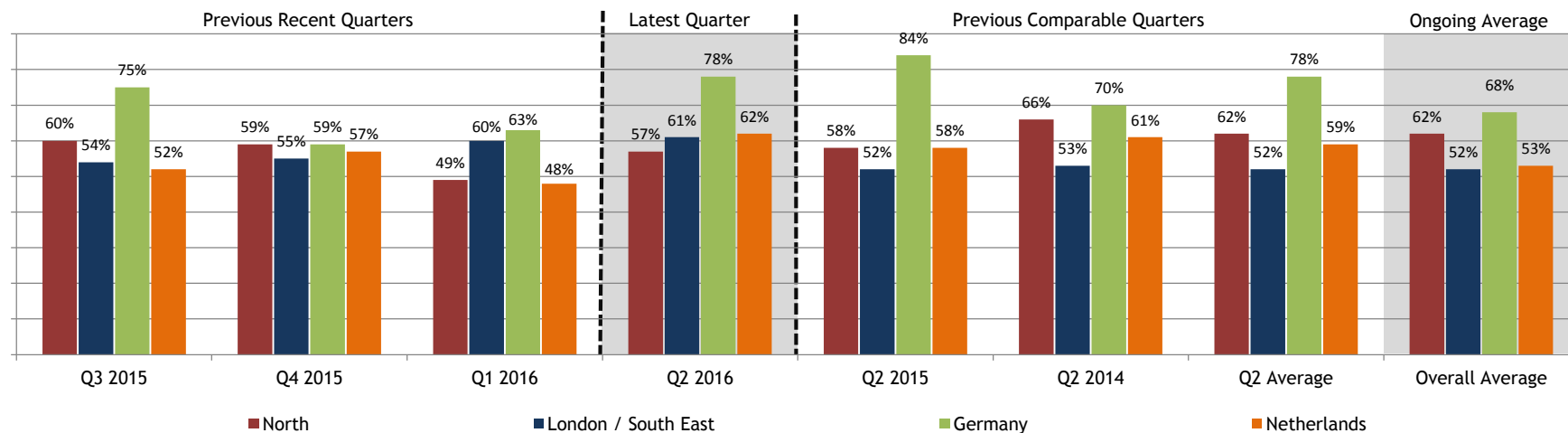
► In terms of business sector, the sample was made up as follows: Accommodation provider (53%), Food / Beverage / Retail business (14%), Activity operator (13%), Non-tourism business (8%), Attractions (7%) and Other businesses (5%).

Origin



- ▶ The mix of customers in the Park area during the quarter was as follows: Scotland customers (45% of all customers), visitors from England (27%), Overseas visitors (21%), and visitors from the rest of the UK (6%).
- ▶ The results recorded this quarter were similar overall to last year but compared to two or more years ago indicate fewer visitors from England and more from Scotland.

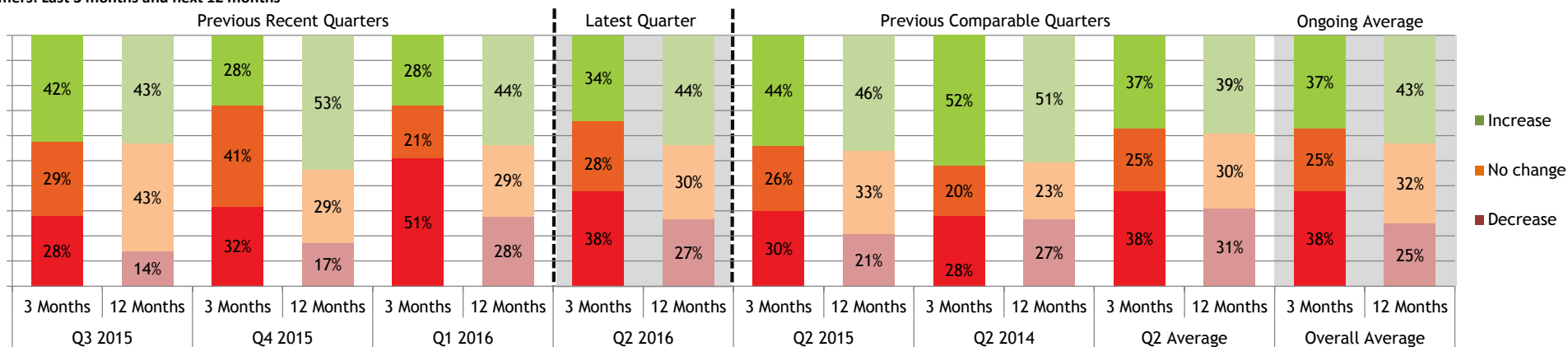
Origin - Top Source Markets England and Overseas



- ▶ The most common segment from England was visitors from London / South East (61% of businesses who engaged with visitors from England traded with customers from this area) followed by the North (57%). The proportion of visitors from London / South East was above that of previous Q2 periods.
- ▶ German visitors continue to be the key international market (78% of businesses engaging with international customers welcomed German visitors during the quarter which was on par with the Q2 average). Dutch visitors were the second most common international segment. Businesses engaged with a similar volume of these visitors compared to previous Q2s.

Business Levels

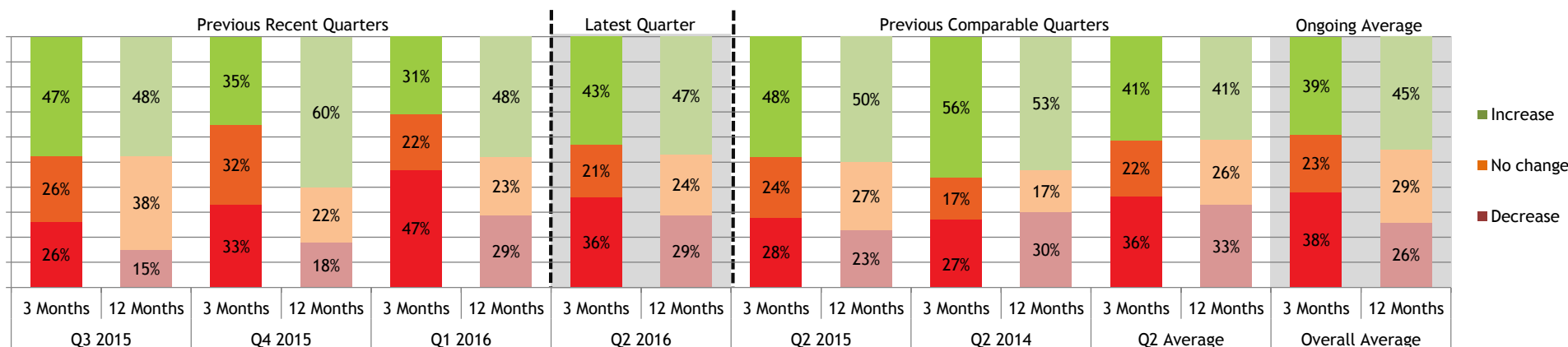
No. Of Customers: Last 3 months and next 12 months



- ▶ There was an overall decrease in customer numbers as more businesses indicated they had decreased rather than increased their customer numbers compared to the same quarter a year ago (38% versus 34%). The results signalled a downturn in fortunes compared to recent Q2 periods and the overall Q2 Average. The reduction in customer numbers was, however, less steep than Q1 2016.
- ▶ An overall increase in customer numbers was expected as more businesses expected to increase rather than decrease customer numbers from their current level in the next 12 months (44% versus 27%). Consistent with the above analysis, the overall outlook recorded this quarter was less positive than recent Q2s although the overall level was above the Q2 Average.

Business Levels

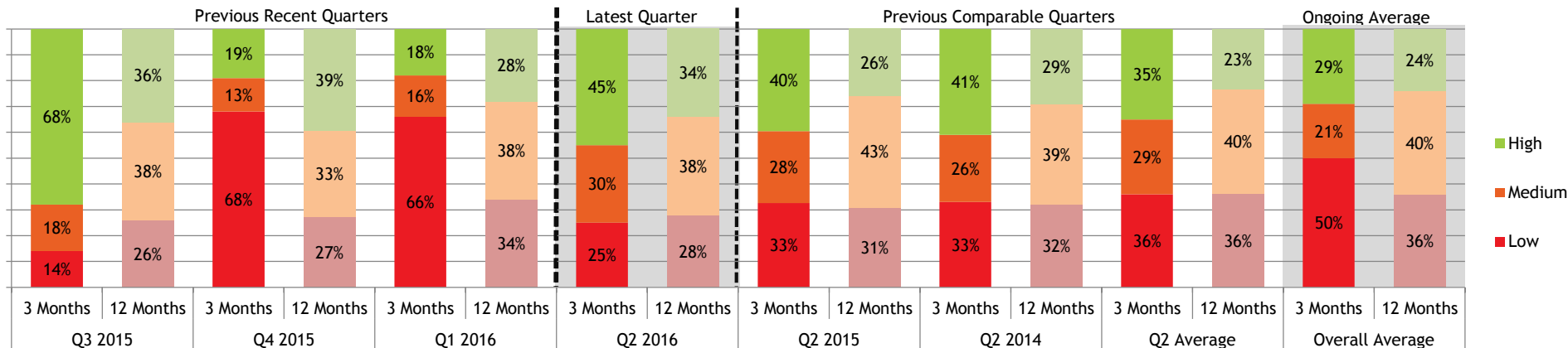
Turnover: Last 3 months and next 12 months



- ▶ Although more businesses recorded an increase rather than a decrease in turnover compared to a year ago (43% versus 36%) there was no overall change in turnover when factoring in the extent of the increases and decreases compared to last year. In line with earlier analysis, the overall result was below recent Q2s and broadly on par with the Q2 Average.
- ▶ An overall increase in turnover was expected in the year ahead as more businesses expected to increase rather than decrease their turnover (47% versus 29%). However, the overall results indicate that businesses were less optimistic about future performance this quarter compared to recent Q2 periods.

Business Levels

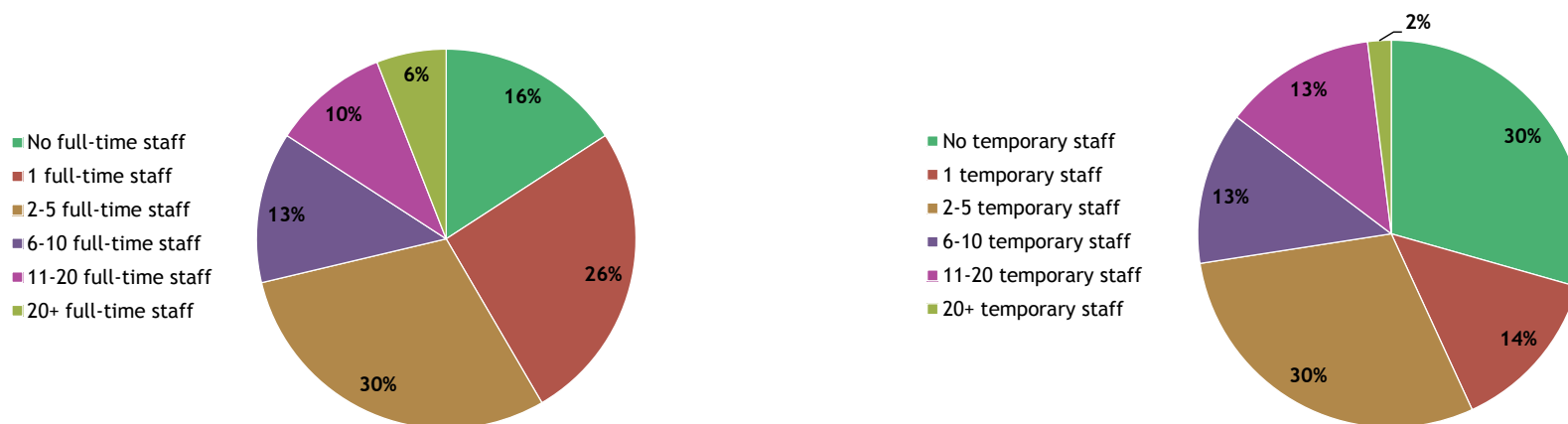
Accommodation Occupancy: Last 3 months and next 12 months



- ▶ 25% of accommodation providers recorded low occupancy of less than 50% whilst 45% achieved high occupancy of 70% or above during the quarter. Compared to previous Q2 periods the overall results were quite positive outperforming Q2 2015 and the Q2 Average but below Q2 2014 (a period which recorded a high proportion of 90%+ occupancy).
- ▶ 28% of accommodation providers expect to achieve low occupancy of less than 50% for the year ahead whilst 34% expect to achieve high occupancy of 70% or above. Similar to above, the overall occupancy result was positive being above Q2 2015, Q2 2014 and the Q2 Average.

Quarterly Topical Questions: Staffing

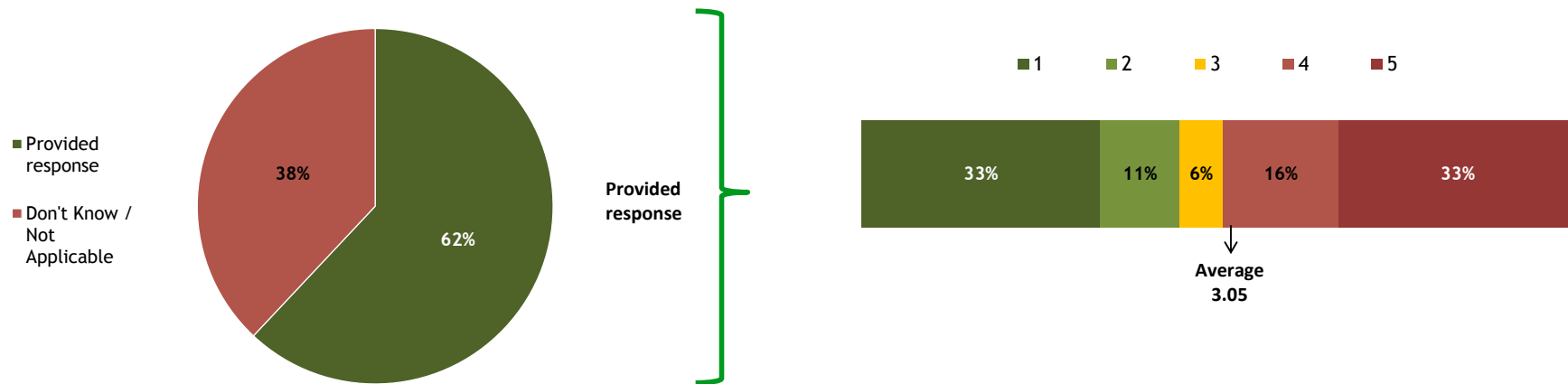
Number of full-time and seasonal / temporary employees over last 12 months



- ▶ The number of full-time staff varied from 0 to nearly 200, although most (56%) businesses employ 2 to 5 people on a full-time basis. A sixth of businesses (16%) do not employ any full-time staff. The median figure was 2 full-time employees.
- ▶ The number of temporary employees varied from 0 to 100. Highlighting broad differences between the businesses surveyed, 30% did not employ any temporary staff whilst 30% employed 2 to 5 staff. The median figure was 2 temporary employees.

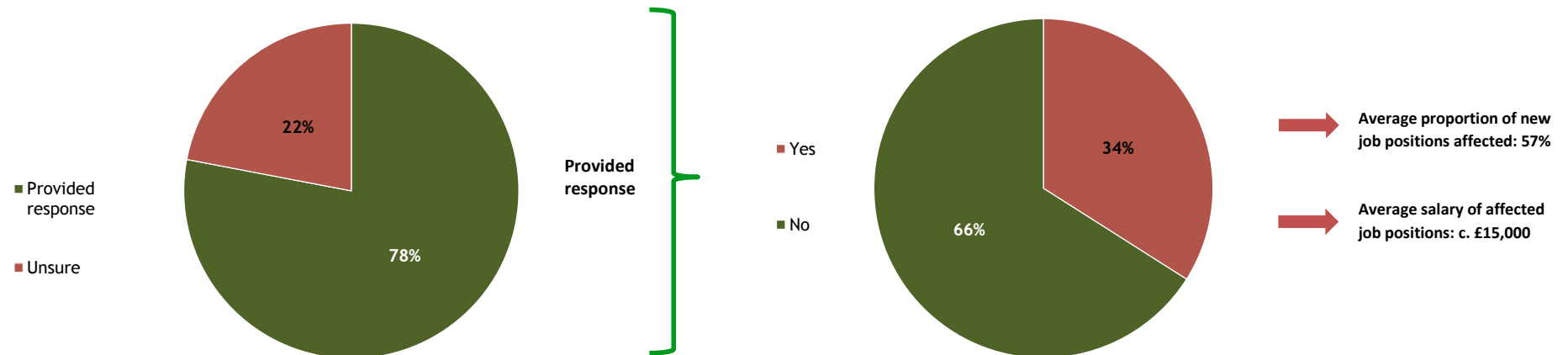
Quarterly Topical Questions: Housing shortage evaluation

Extent to which housing shortages in the Cairngorms area is considered an issue for new and existing staff



- ▶ 38% of businesses were not in a position to comment on the impact of a perceived housing shortage on their business.
- ▶ Among businesses able to provide feedback on the issue, housing shortages was considered to be a moderate issue overall (rated at 3.05 out of 5). That said, 33% of these businesses indicated that housing shortages is a major issue (attributing a rating score of 5 out of 5). There was a greater concentration of these businesses within the Royal Deeside sample.

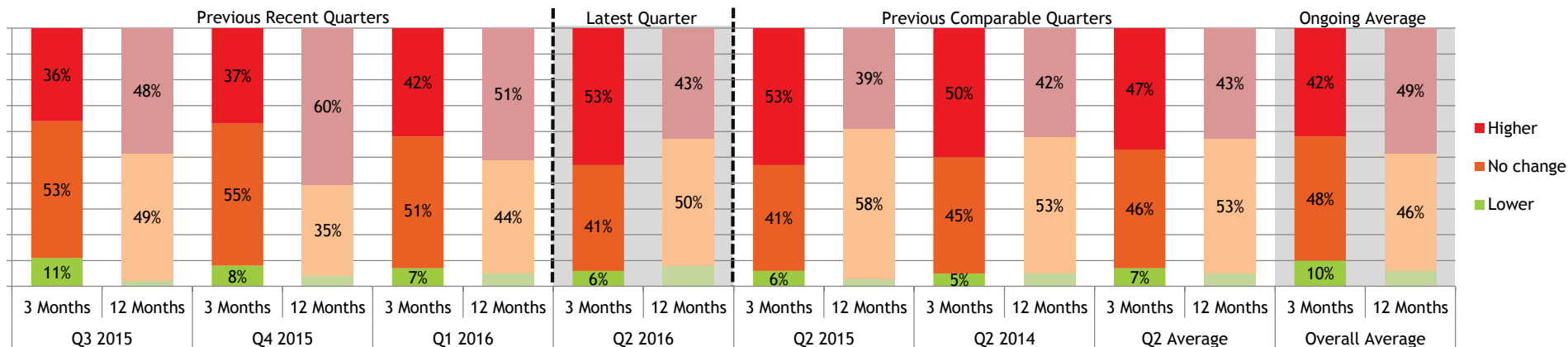
Has there been difficulty filling openings / posts over the last 3 years because a recruit could not find or afford suitable accommodation nearby?



- ▶ 78% of businesses were in a position to comment on the role of a perceived lack of affordable / suitable housing on recruitment for new roles.
- ▶ A third of these businesses indicated that a lack of affordable / suitable accommodation had been an issue when recruiting for a role within the last 3 years. Among these businesses typically this issue affects over half of all new job postings (57%). Seven percent (or 5 out of 69 businesses) indicated that this issue affected all positions they had recruited for within the last 3 years.
- ▶ The average salary of the roles in which housing shortages had been an issue in the last 3 years was c. £15,000 per annum.

Costs

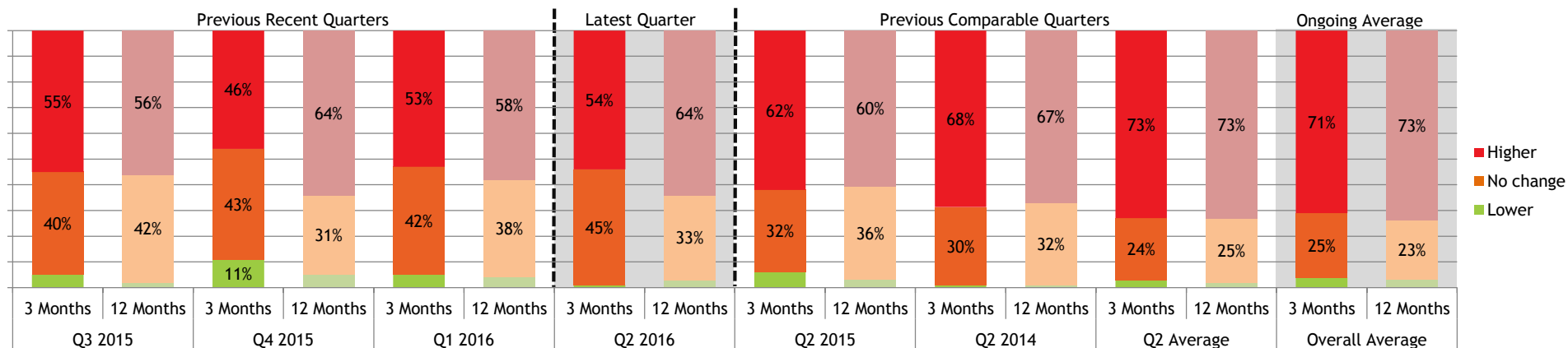
Staff: Last 3 months and next 12 months



- ▶ An overall increase in staff costs was recorded as more businesses incurred higher rather than lower staff costs compared to last year (53% versus 6%). The overall increase was similar to recent years but was steeper compared to the Q2 Average.
- ▶ Staff costs were expected to increase at a slower rate than currently as 43% of businesses expected these costs to increase in the year ahead whilst 8% expected them to decrease. The overall result was on par with recent Q2s and the Q2 Average which implies fairly stable opinions regarding future staff costs.

Costs

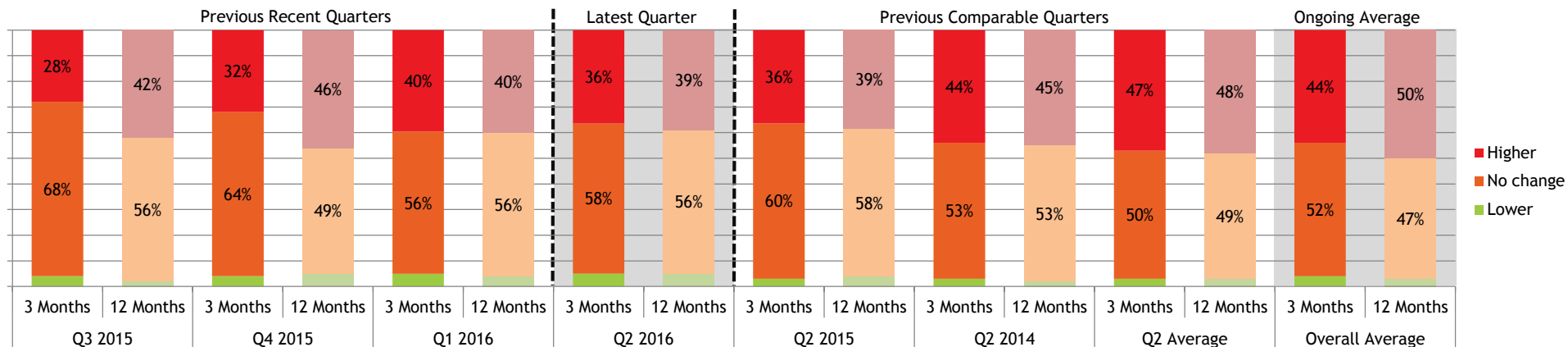
Supplier: Last 3 months and next 12 months



- ▶ An overall increase in supplier costs was recorded as more businesses incurred higher rather than lower supplier costs compared to last year (54% versus 1%). The overall change was on par with last year and below that of Q2 2014 and the Q2 Average.
- ▶ Supplier costs were expected to increase a faster rate than currently as 64% of businesses expected them to increase in the year ahead and 3% expected them to decrease. This rate of change was greater than last year, broadly on par with Q2 2014 and below that of the Q2 Average.

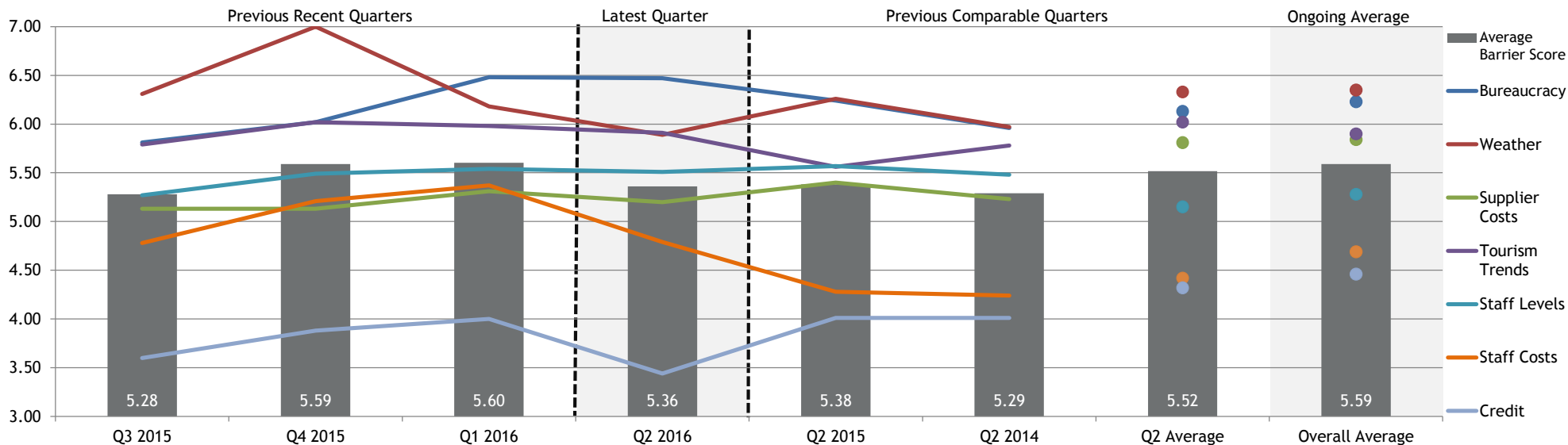
Costs

Administration: Last 3 months and next 12 months



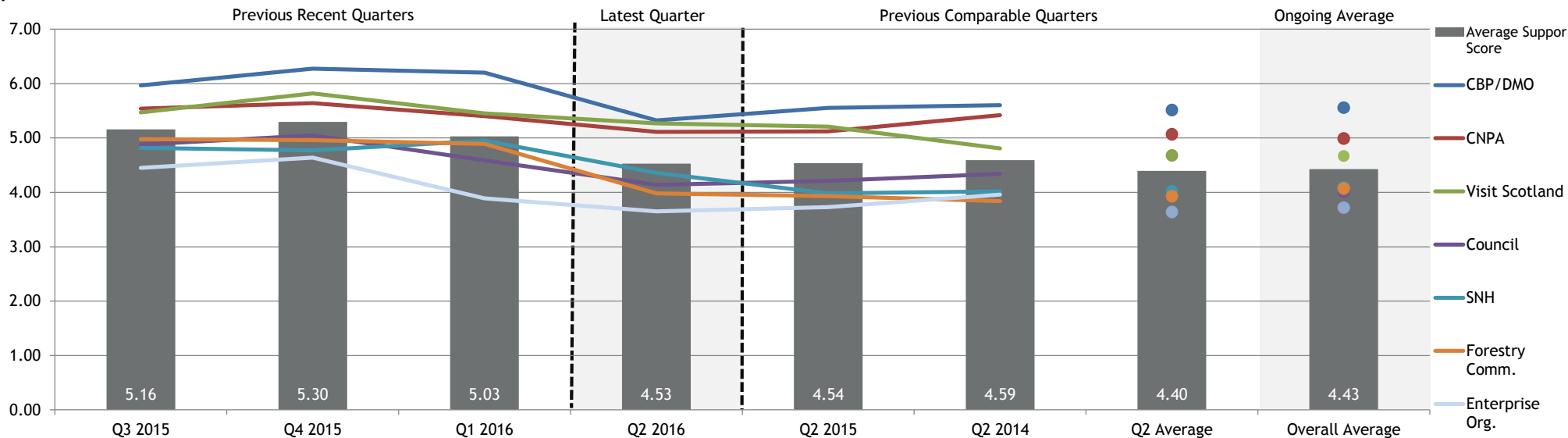
- ▶ Whilst most businesses (58%) noted no change in admin costs, an overall increase in admin costs was recorded as more businesses incurred higher rather than lower admin costs compared to a year ago (36% versus 5%). The overall rate of change was on par with last year and below that of Q2 2014 and the Q2 Average.
- ▶ Administration costs were expected to increase at a similar rate to the current rate as 39% of businesses expected these costs to increase in the year ahead whilst 5% expected these costs to decrease. This rate of change was similar to that recorded in recent Q2 periods and was slightly below the Q2 Average.

Barriers



- ▶ The average barrier to growth score this quarter was 5.36 out of 10 which was below last quarter and the Q2 Average but similar to recent Q2 periods.
- ▶ Bureaucracy (6.47), tourism trends (5.91) and weather (5.89) were perceived to be the most significant barriers to growth this quarter.
- ▶ Staff costs, tourism trends and bureaucracy were all considered to be more formidable barriers to growth compared to last year whilst the opposite was true for weather, access to credit and, to a lesser extent, supplier costs.

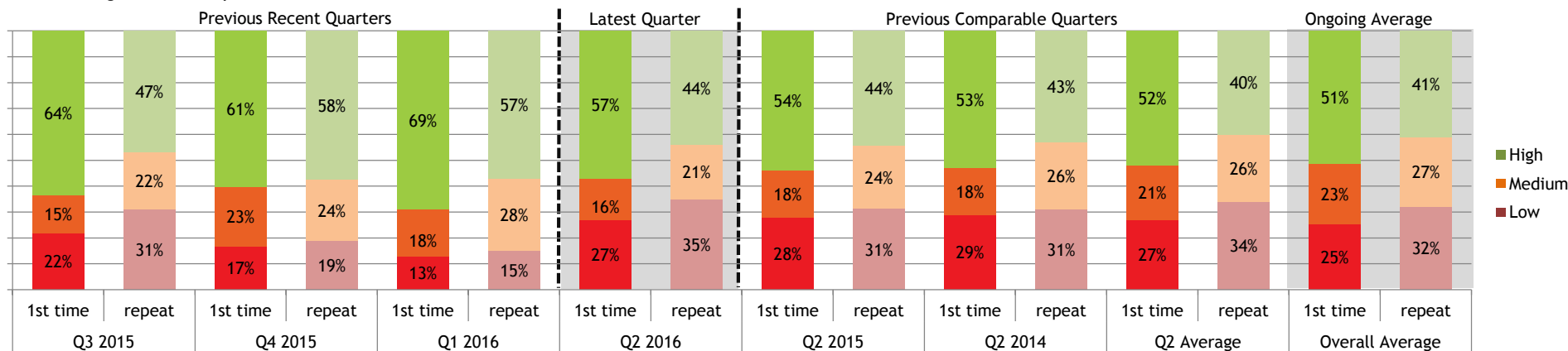
Support



- ▶ The overall level of support provided by organisations was rated at 4.53 which was well below last quarter, on par with recent Q2s and above the Q2 Average and Overall Average.
- ▶ The support provided by CBP / DMO (5.32) was rated most positively whilst the opposite was true for Enterprise Organisations (3.65).
- ▶ All organisations recorded lower support scores compared to Q1 2016. The organisation which recorded the largest negative change in perception from last quarter was CBP / DMO as scores decreased from 6.20 in Q1 2016 to 5.32.
- ▶ CBP / DMO recorded the steepest decrease in perception from last year (5.55 in Q2 2015 versus 5.32 in Q2 2016) whilst SNH recorded the steepest increase (3.98 versus 4.36).

Influences

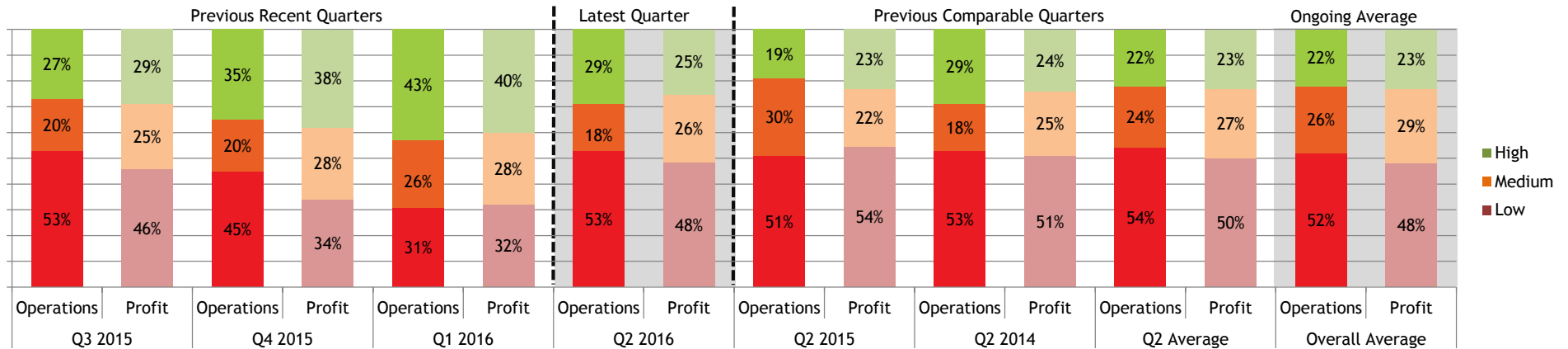
Influence of CNP - Attracting First time & Repeat Customers



- ▶ 57% stated that the Park had a high level of influence (attributing a rating score from 7 to 10 out of 10) in attracting first time customers whilst 27% stated a low level of influence (attributing a rating score from 1 to 4 out of 10). Compared to previous Q2 periods these results indicated more appreciation of the role of the Park in attracting new customers.
- ▶ 44% stated that the Park had a high level of influence (attributing a rating score from 7 to 10 out of 10) in attracting repeat customers whilst 35% stated a low level of influence (attributing a rating score from 1 to 4 out of 10). The overall level of influence in attracting repeat customers was broadly similar to recent Q2 periods but above the Q2 Average.

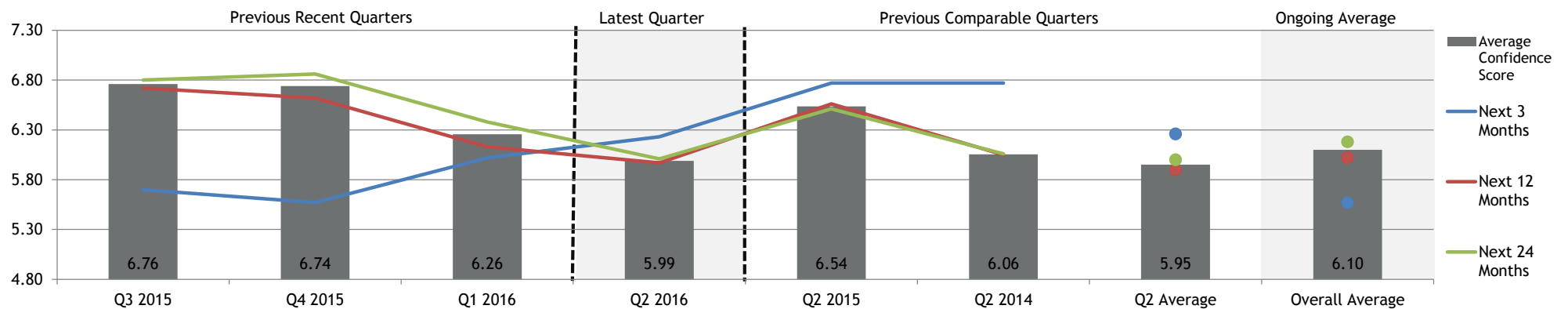
Influences

Influence of CNP - On Business Operations & Profitability



- ▶ 29% stated that the Park had a high level of influence (attributing a rating score from 7 to 10 out of 10) on their business operations whilst 53% stated a low level of influence (attributing a rating score from 1 to 4 out of 10). The overall level of influence of the Park on business operations was above last year and the Q2 Average but was broadly on par with Q2 2014.
- ▶ 25% stated that the Park had a high level of influence (attributing a rating score from 7 to 10 out of 10) on their profitability whilst 48% stated a low level of influence (attributing a rating score from 1 to 4 out of 10). Like for the impact on operations, the overall level of influence on profitability was above last year and the Q2 Average but was on par with Q2 2014.

Business Confidence



- ▶ Short term confidence (next 3 months) was rated at 6.23 out of 10 which was well below recent Q2 periods but similar to the Q2 Average.
- ▶ Medium term confidence (next 12 months) was rated at 5.97 out of 10 which was well below Q2 2015 and also below Q1 2016. The result, however, was similar to Q2 2014, the Q2 Average and the Overall Average.
- ▶ Long term confidence (next 24 months) was rated at 6.01 out of 10 which like the medium term confidence level was notably below last year and also below last quarter. Highlighting the extent of the dip in business sentiment, the long term confidence score was below the Overall Average since the Barometer began in Q3 2009.
- ▶ Factoring in the medium and long term outlook, the Average Confidence score was 5.99 which was unsurprisingly well below last year and recent quarters.