

Cairngorms Business Barometer 2011/2012



Your Local
Chamber of Commerce
Working for You

Summary Report

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Introduction

Since autumn 2009 Lynn Jones Research Ltd. (LJR) has undertaken a quarterly survey amongst businesses in and around the Cairngorms National Park to gain feedback from business operators on a number of key aspects, including business levels and costs, latterly on behalf of Cairngorms Business Partnership (CBP) with support from Cairngorms National Park Authority, Highlands and Islands Enterprise, Highland Council and Scottish Enterprise.

An independent survey such as this acts as a vital mechanism to collect rigorous and robust performance information which is analysed and reported back to the businesses themselves and is of great value to those charged with monitoring and developing the tourist economy of the Cairngorms National Park (CNP) area.

This end of year report provides a summary of the key findings of the Cairngorms Business Barometer (CBB) in 2011/12 which comprised of four quarterly surveys from Q2 2011 (April to June 2011) to Q1 2012 (January to March 2012), inclusive. To develop an understanding of trends, comparisons have also been made with previous quarterly findings going back to Q3 2009 when the survey began.

Methodology

As previously, Visitrac¹ surveys were created to collect the required information. Surveys were activated each quarter to gather insight from businesses from the following five sub-areas of the Park: Badenoch & Strathspey; Royal Deeside; Glenlivet; Angus Glens and Highland Perthshire.

At the start of each new quarter an invitation email containing a link to the relevant survey was sent by LJR to business contacts from across the Park area. When required, reminder emails and/or reminder messages about the survey were sent to businesses by LJR and/or CBP in order to augment the response rate.

Sample

The database used for the project largely comprised of contacts representing tourism businesses from across the five sub-areas of the Park. A small proportion of contacts representing companies whose main business sector was non-tourism related were also included in the sampling.

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

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

Sub Area & Period	Business Emails	Business Emails (% of Period Base)	Survey Responses	Survey Responses (% of Period Base)
Badenoch & Strathspey Q2 2011	469	73%	67	71%
Royal Deeside Q2 2011	106	16%	19	20%
Glenlivet Q2 2011	33	5%	4	4%
Angus Glens Q2 2011	2	0%	2	2%
Highland Perthshire Q2 2011	33	5%	3	3%
Q2 2011 (Total)	643	100%	95	100%
Badenoch & Strathspey Q3 2011	590	70%	81	68%
Royal Deeside Q3 2011	153	18%	22	18%
Glenlivet Q3 2011	38	5%	4	3%
Angus Glens Q3 2011	9	1%	4	3%
Highland Perthshire Q3 2011	49	6%	8	7%
Q3 2011 (Total)	839	100%	119	100%
Badenoch & Strathspey Q4 2011	584	66%	80	56%
Royal Deeside Q4 2011	222	25%	48	34%
Glenlivet Q4 2011	36	4%	5	4%
Angus Glens Q4 2011	9	1%	4	3%
Highland Perthshire Q4 2011	37	4%	5	4%
Q4 2011 (Total)	888	100%	142	100%
Badenoch & Strathspey Q1 2012	584	66%	67	59%
Royal Deeside Q1 2012	220	25%	35	31%
Glenlivet Q1 2012	36	4%	5	4%
Angus Glens Q1 2012	9	1%	3	3%
Highland Perthshire Q1 2012	37	4%	4	4%
Q1 2012 (Total)	886	100%	114	100%
Badenoch & Strathspey (Total)	2227	68%	295	63%
Royal Deeside (Total)	701	22%	124	26%
Glenlivet (Total)	143	4%	18	4%
Angus Glens (Total)	29	1%	13	3%
Highland Perthshire (Total)	156	5%	20	4%
CBB 2011/12 Total	3256	100%	470	100%

As shown in the table above, the responses to the survey correlated fairly closely with the overall stock of businesses across the sub-areas although there was a slight underrepresentation of those from Badenoch & Strathspey and a slight overrepresentation of those from Royal Deeside.

The response rates for each sub-area and overall in 2011/12 is detailed below:

Badenoch & Strathspey (Total)	13%
Royal Deeside (Total)	18%
Glenlivet (Total)	13%
Angus Glens (Total)	45%
Highland Perthshire (Total)	13%
CBB Total	14%

The following analysis is based on a final sample of 470² completed survey responses from businesses, some of whom replied in each of the four surveys during the year period, representing key tourism sectors across all five sub-areas of CNP.

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

Key Findings

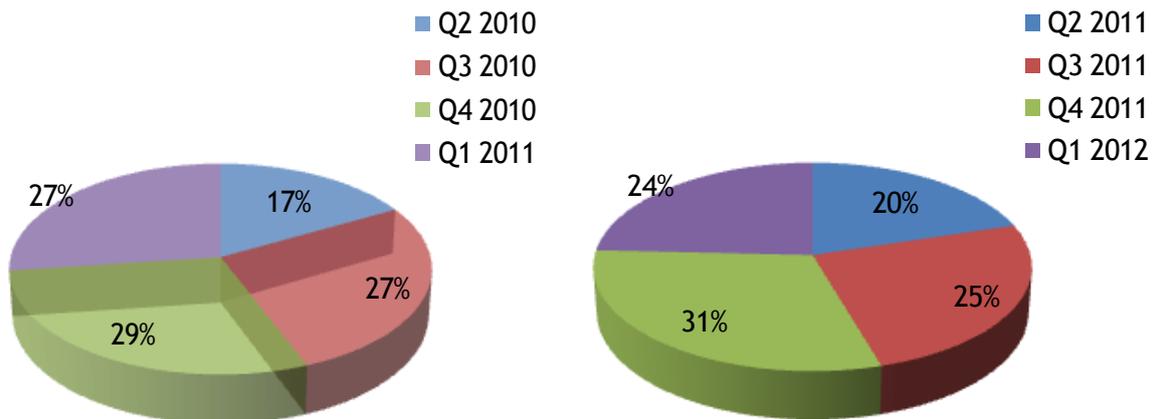
This section outlines key findings from the research in 2011/12 based on surveys undertaken amongst businesses on the following periods: April to June 2011 (Q2 2011), July to September 2011 (Q3 2011), October to December 2010 (Q4 2011), and January to March 2012 (Q1 2012). Please note that throughout the commentary data based on the overall year period (i.e. the average of the four quarters) is referred to as '2011/12'.

Relevant comparisons are also made to previously collected data since Q3 2009. Direct comparisons are commonly made against the overall results of last year (i.e. the period: Q2 2010 (April to June 2010) to Q1 2011 (January to March 2011)). In the commentary below this period is referred to as '2010/11'.

Sample

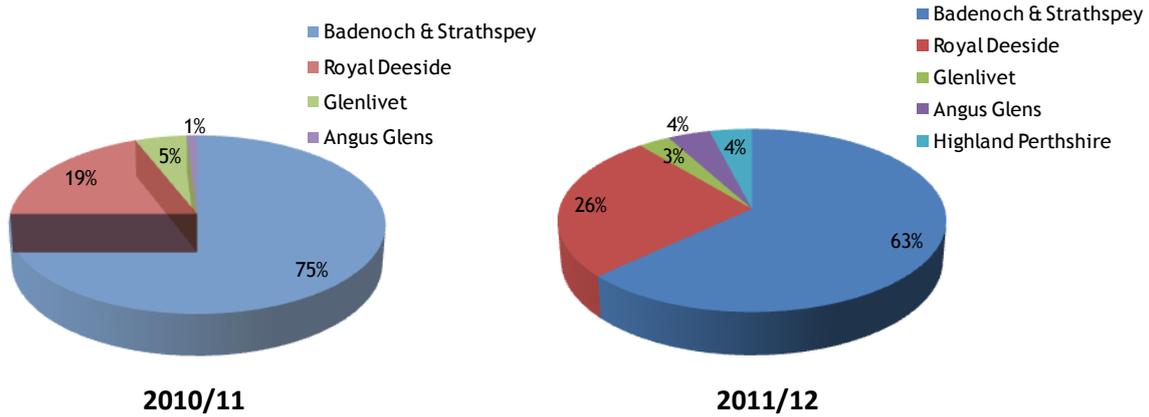
Quarter

As in 2010/11, a similar sample of responses for each quarterly survey was achieved although the sample for Q4 2011 was slightly above average (around three in ten responses in 2011/12) and the Q2 2011 sample was slightly below average (20% of responses in 2011/12).



Sub-area

Broadly consistent with the stock of businesses invited to participate in the research, 63% of responses during the year were from businesses in Badenoch & Strathspey, 26% from Royal Deeside and the remainder 11% from businesses in Angus Glens, Glenlivet and Highland Perthshire.

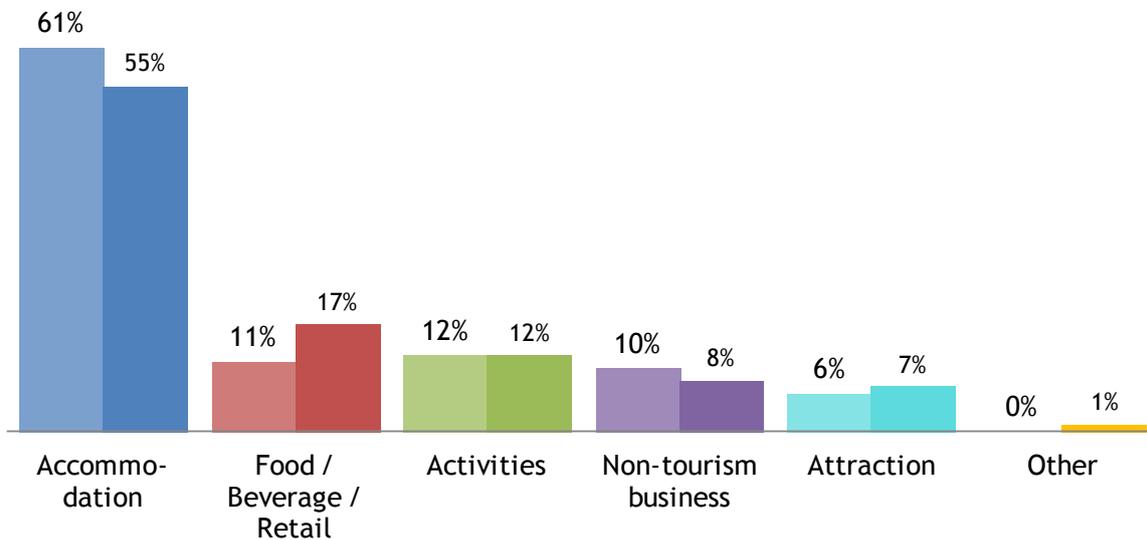


Compared to last year (2010/11) the sample comprised of proportionally more businesses from Royal Deeside and proportionally fewer businesses from Badenoch & Strathspey. It is also worth noting that the survey this year was extended to include businesses in Highland Perthshire.

Sector

Similar to last year, accommodation providers accounted for over half of the sample (55%) followed by those operating in the food, beverage or retail sectors (17%), activity operators (12%) and attractions (7%). Eight percent of business contacts indicated that their main business sector was non-tourism related in 2011/12.

Amongst the sample of accommodation businesses, the bulk of responses were from self-caterers (39%) and B&Bs (32%).



Note: 2010/11 = light shaded bars (to the left); 2011/12 = dark shaded bars (to the right)

A higher proportion of accommodation providers were in the Badenoch & Strathspey sample compared to the sample as a whole (61% versus 55% sample average) whilst the Royal Deeside sample contained more retail and catering businesses (29% versus 17% sample average).

Membership

68% of businesses were a member of either a DMO (destination management organisation) and/or Cairngorms Business Partnership (CBP) compared to 58% in 2010/11. The most common non-DMO membership organisation was Federation of Small Businesses (30% of responses in 2011/12 and 27% in 2010/11). Meanwhile, 13% of businesses in 2011/12 stated that they were not a member of any organisation (compared to 18% in 2010/11).

Customer profile

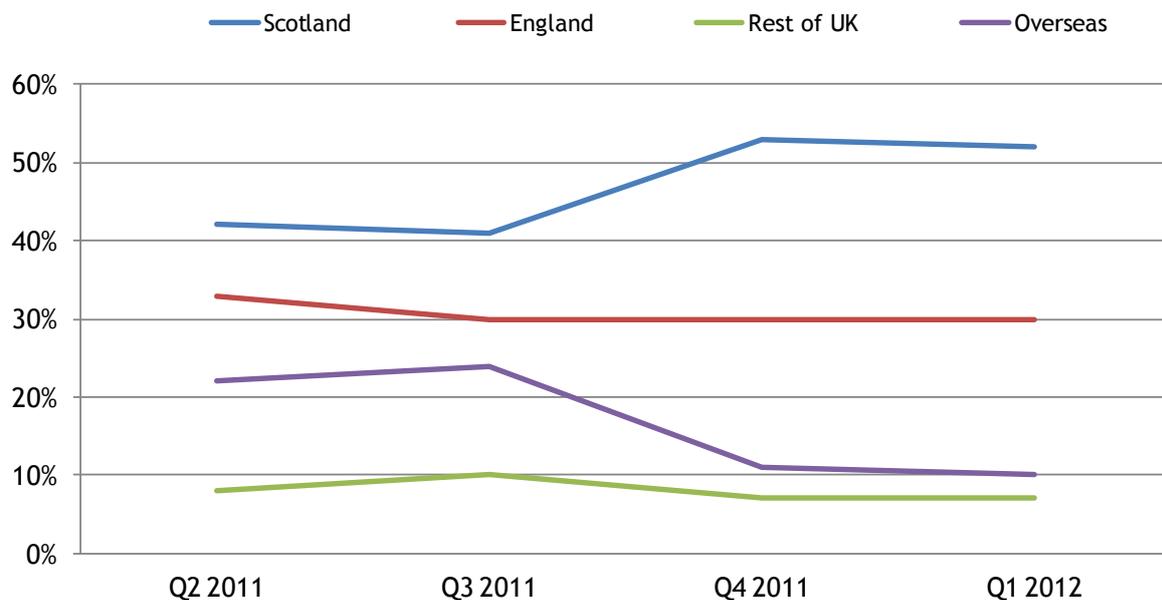
Businesses were asked to estimate the approximate mix of their customers during each quarter in terms of origin and type (i.e. first or repeat customer).

Origin of customers

Overall a similar mix of visitors to the Park area was recorded in 2011/12 compared to 2010/11.

Those from Scotland accounted for 47% of customers during the year. Seasonal fluctuations were apparent as businesses reported a greater share of trade amongst more local markets during the autumn and winter period (i.e. Q4 2011 and Q1 2012).

Catering and retail businesses were more reliant on markets from Scotland than other types of businesses.

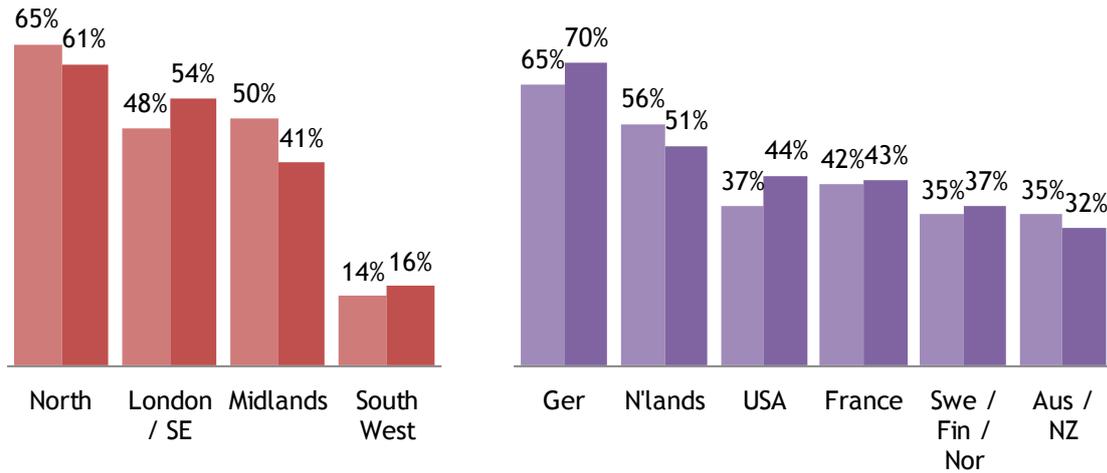


Visitors from England continued to make up around 30% of the customer base each quarter and those from Wales and Northern Ireland were, like last year, reported to account for just under 10% of customers.

The key English market was the north (61% of businesses stated during the year that most of their customers came from this region compared to 65% in 2010/11) followed by London/South East (54% versus 48% in 2010/11) and Midlands (41% versus 50% in 2010/11). However, amongst Royal Deeside businesses London/South East was identified as the most important English market during the year.

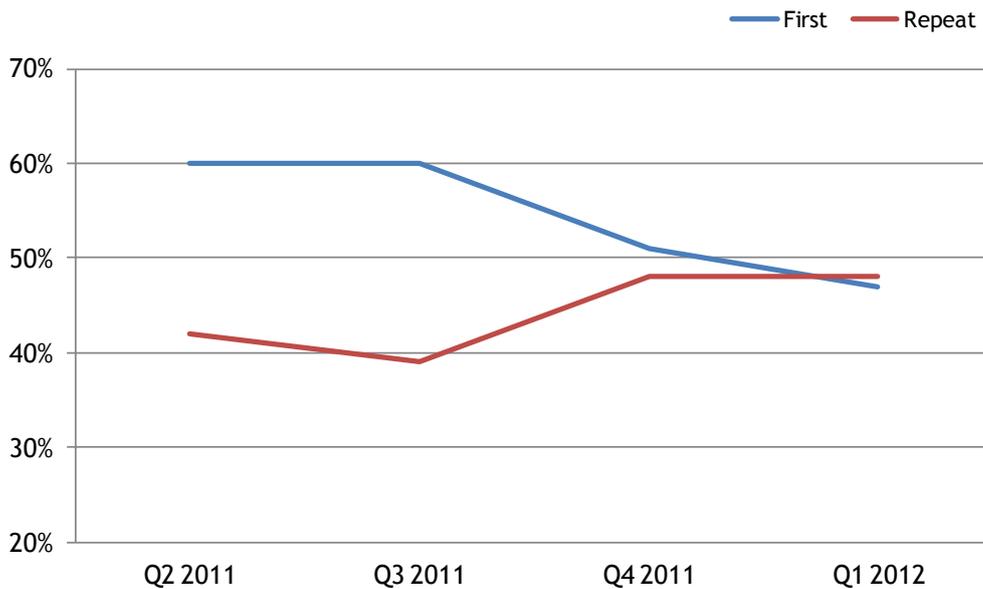
Slightly above last year's level, the proportion of customers from overseas was 16% during the year although this increased to just over 20% during the spring and summer period (i.e. Q2 2011 and Q3 2011).

As in 2010/11, the German market was the main overseas market (70% of businesses stated during the year that most of their customers came from this country compared to 65% in 2010/11) followed by Netherlands (51% versus 56% last year). Increasing from 37% in 2010/11, United States visitors accounted for 44% of overseas customers and those from France 43% (versus 42% last year).



Type of customers

First time customers continued to account for the slight majority of all customers during the year (54%). Consistent with the trend of more overseas visitors in the area during the spring and summer period compared to the autumn and winter period, a larger proportion of first time customers were also reported to be in the area during the spring and summer period.



Businesses in Royal Deeside recorded proportionally fewer first time visitors compared to the Park area average (47% versus 54%), as too did catering and retail businesses (39%).

Consistent with last year, repeat customers comprised 44% of all customers and in line with the trend discussed above accounted for an above average share of the market amongst Royal Deeside businesses and those providing retail and catering services.

Business levels

Businesses were asked about performance each quarter compared to the same quarter a year previously 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.

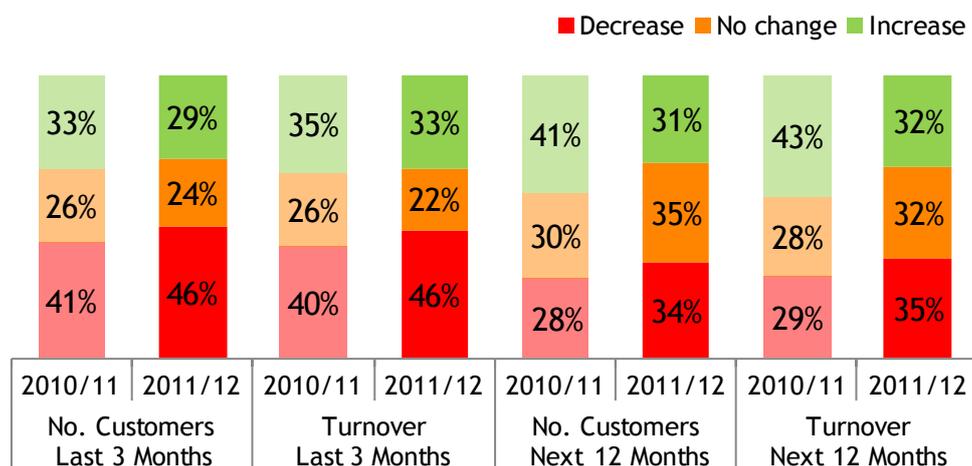
Customer numbers and turnover

As in 2010/11, businesses generally reported slightly fewer customers and reduced levels of turnover compared to the same period a year ago. However, this year saw a marginally greater fall in business levels compared to those recorded in the survey last year (2010/11).

The steepest decline in trade since the survey began in Q3 2009 was recorded in Q1 2012 with 57% of businesses reporting reduced customer numbers and 60% reporting falling turnover compared to a year previously.

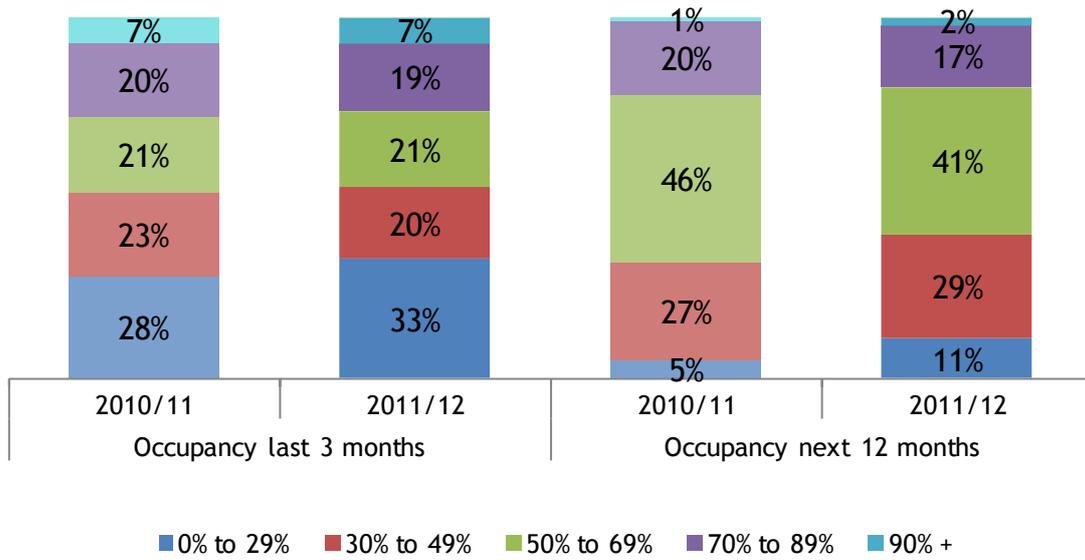
Food, beverage and retail businesses reported the greatest fall in customer numbers and turnover. Businesses in Badenoch & Strathspey appear to have suffered less than those from the four other sub-areas of the Park area from falling customer numbers and turnover.

In contrast to last year when businesses expected customer numbers and turnover to grow slightly from current levels, this year businesses on average expected these aspects to decline slightly from their current amounts.



Occupancy

Occupancy performance was roughly on par with that recorded in 2010/11 with just over a half (53%) of accommodation providers achieving average occupancy of 0% to 50%. Seasonal fluctuations were again apparent as above average performance was noted during the spring and, in particular, the summer period.

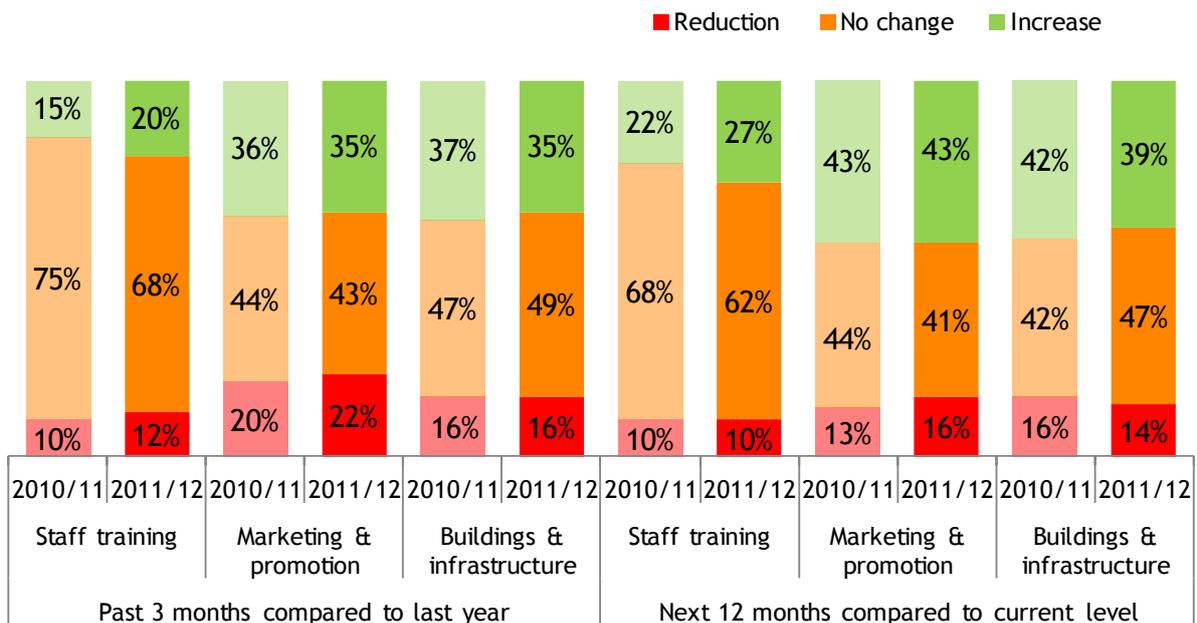


Businesses forecasted similar levels of expected occupancy for the next 12 months as they did in 2010/11 with the majority (70%) expecting average occupancy of between 30% to 69%.

Consistent with the findings in terms of customer numbers and turnover, accommodation businesses from Royal Deeside reported lower achieved and forecasted occupancy than those in Badenoch & Strathspey.

Levels of investment

Each quarter 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

Levels of staff training were almost identical to those recorded in the survey in 2010/11 as businesses generally maintained (rather than increased or decreased) investment in this area compared to the same quarter a year ago.

Consistent again with that observed in 2010/11, businesses expected to marginally increase staff training in the next 12 months from current levels. It is worth highlighting, however, that expected increases in staff training were most apparent amongst non-tourism businesses.

Marketing and promotion

Overall marketing and promotion investment increased very slightly in 2011/12 compared to corresponding quarters a year ago, although the rate of increase was slightly below the level recorded in 2010/11.

In contrast with the slight upward trend observed across the CNP area, Royal Deeside businesses indicated a slight decrease in marketing and promotion spend as too did food, beverage and retail businesses.

Anticipated marketing spend was roughly on par with last year with 43% expecting to increase investment and 41% expecting to maintain investment from current levels.

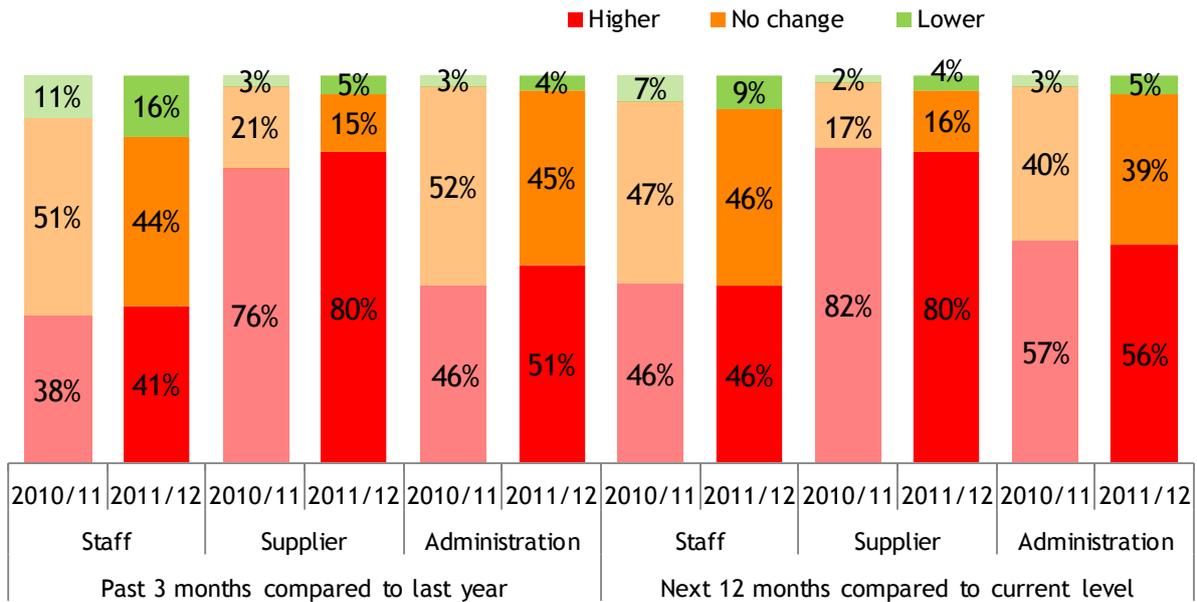
Buildings and infrastructure

Similar to the trend discussed above for marketing and promotion investment, investment in buildings and infrastructure increased slightly from last year, but the rate of increase was below that of 2010/11.

Looking forward businesses expected to generally slightly increase investment in physical aspects of their product, but again anticipated levels of investment were slightly below those recorded in 2010/11. In particular, in the most recent quarter, Q1 2012, businesses reported some of the lowest levels of investment since the survey began in Q3 2009.

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 generally increased slightly each quarter in the year compared to the same quarter a year ago and the rate of change was marginally below that recorded in 2010/11. Non-tourism businesses more regularly cited higher staff costs compared to a year ago than tourism businesses and, in particular, activity operators and attractions who stated the lowest changes in terms of staff costs.

Anticipated levels of staff costs were almost identical to those recorded in 2010/11 as businesses generally expected these costs to continue increasing slightly.

Supplier costs

Slightly above the 2010/11 level, businesses consistently reported supplier costs as being higher than in the same quarter a year ago. Activity operators and attractions were seemingly less affected by increasing supplier costs than other business types across the Park area.

As in 2010/11, for the year ahead businesses expected supplier costs to continue increasing at a similar rate to the current rate of change.

Administration costs

Below that of supplier costs but above the rate of increase observed for staff costs, administration costs (i.e. the cost of doing business) increased compared to a year previously and was slightly higher than recorded in 2010/11. Above average increases in administration costs were apparent amongst retail and catering and non-tourism businesses whilst the converse was true amongst activity operators and attractions.

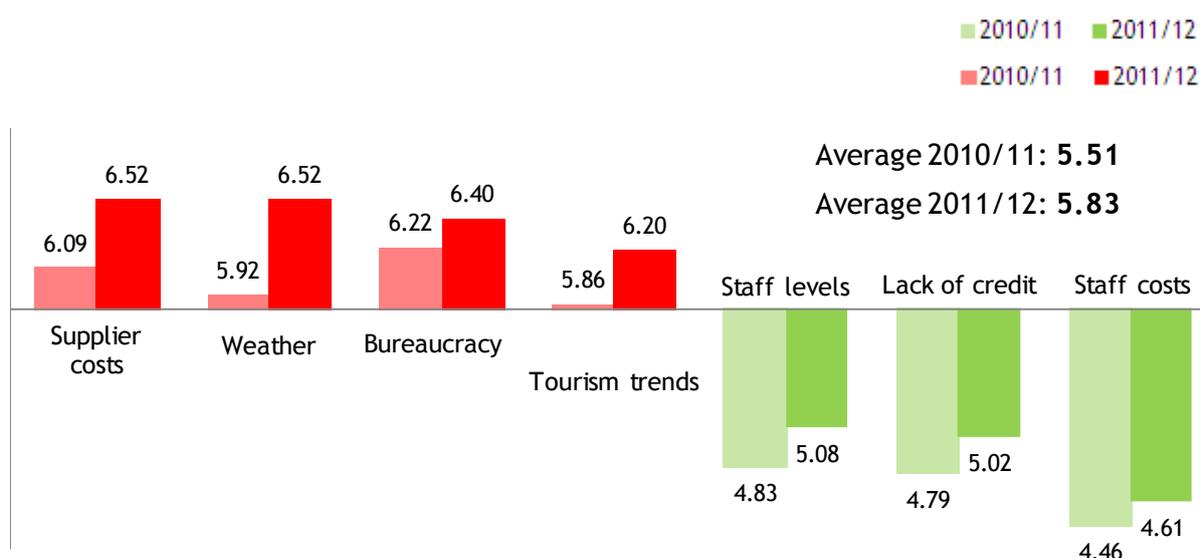
Anticipated administration costs over the next 12 months were expected to continue steadily increasing, as was observed in 2010/11.

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 weighted³ average barrier to growth score was 5.83 compared to 5.51 last year which suggests that businesses perceived the trading environment during the year to be tougher compared to 2010/11.

Concern regarding the impact of these aspects was highest in the recent quarter, Q1 2012, which achieved a weighted average score of 5.99 compared to the year average of 5.83.



Retail and catering businesses appear to have been more disadvantaged by these potential barriers than other types of businesses in the Park area.

Supplier costs and weather (both 6.52) were cited as being the most significant potential barriers, closely followed by bureaucracy (6.40) and tourism trends (6.20). The impact of weather, in particular, appears to have had a notably more negative role on business performance compared to last year, increasing in significance from 5.92 to 6.52. This may be a result of shifting consumer behaviour: are increasingly risk averse customers placing greater emphasis on the weather/weather conditions in their decision to undertake activities and trips? Notable increases in the significance of supplier costs and tourism trends were also apparent this year.

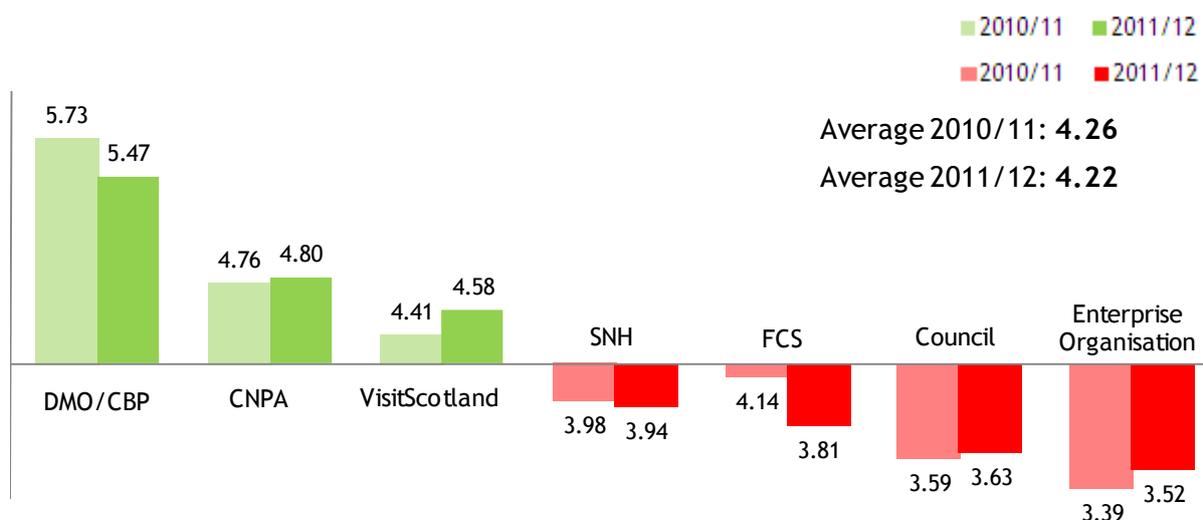
External support

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'.

Slightly below the corresponding figure last year (4.26), the weighted average contribution score businesses attributed was 4.23. The role of the organisations was perceived least

³ Please note that unweighted average calculations were used in the 2010/11 report.

positively in Q1 2012 (average contribution score of 3.93) compared to any previous quarter since Q3 2009.

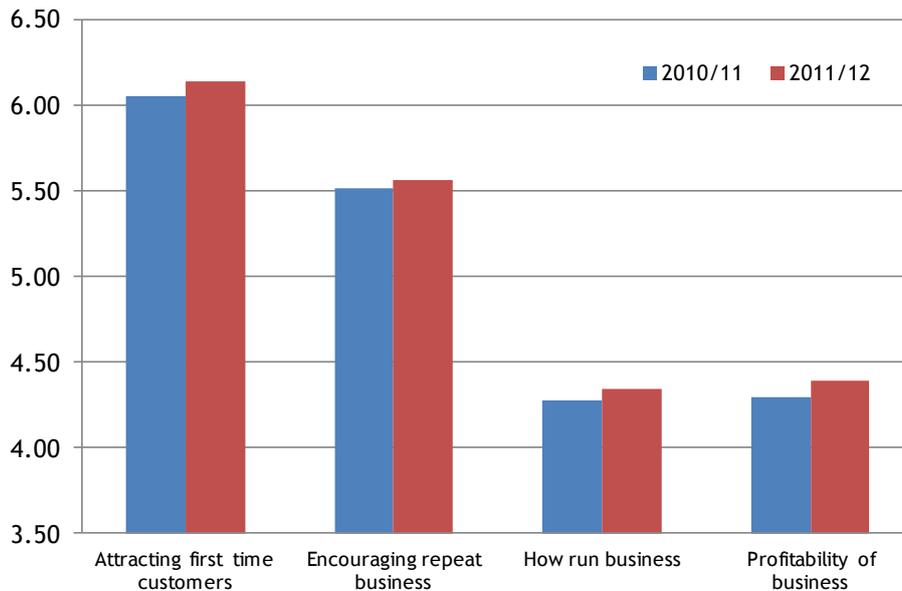


Businesses in Badenoch & Strathspey were more likely to rate the contribution of the organisations more positively than those from elsewhere in the Park area. Meanwhile, the converse was true amongst businesses operating in the retail and catering sector compared to other business types and, in particular, non-tourism businesses who attributed the highest scores relating to the contribution of the organisations.

The perceived contribution of local DMOs/CBP was most positively acknowledged out of the list of seven organisations, although they were rated below last year at 5.47 (compared to 5.73 in 2010/11). The support provided by Cairngorms National Park Authority (CNPA) and VisitScotland was also rated above average. Meanwhile, businesses attributed well below average scores in relation to the perceived contribution of their local councils and their relevant enterprise organisation.

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.



Very slightly above the scores recorded in 2010/11, businesses considered CNP as having a medium level of influence in bringing in customers. As in 2010/11, businesses considered the role of the Park to be more important in attracting first time customers as opposed to repeat customers (average level of influence score of 6.14 for attracting first time customers compared to 5.56 for encouraging repeat business).

Interestingly, in 2011/12 the influence of the Park in bringing new and repeat customers to the area was considered to be greater during the spring and summer period compared to the autumn and winter period. For example, businesses rated the role of the Park in attracting first time customers at 6.45 in Q2 2011 compared to 5.99 in Q4 2011.

Not surprisingly given the geography of the sub-areas surveyed, businesses in Badenoch & Strathspey recognised the Park to play a more significant role in bringing in customers than those from the four other sub-areas. Accommodation businesses also demonstrated above average recognition of the role of the Park in attracting customers.

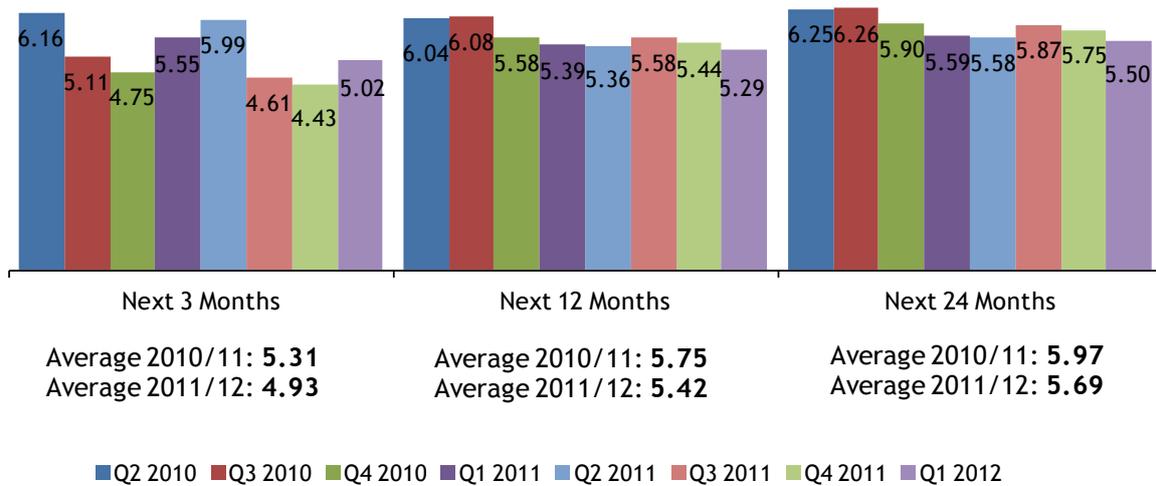
Slightly above the scores recorded last year, CNP was cited as playing a relatively small role on business operations and profitability (4.34 and 4.39, respectively). As above, businesses in Badenoch & Strathspey along with accommodation providers tended to give slightly higher scores in relation to the role of the Park on these aspects.

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 (next three months) was rated overall at 4.93 in 2011/12 which was well below the 2010/11 average of 5.31 and even further below the average from Q3 2009 to Q1 2010 (5.59) – a partial year period. Q4 2011 recorded the lowest level of short term confidence (4.43) since the survey began in Q3 2009.

Businesses from Badenoch & Strathspey demonstrated a slightly more optimistic view of the short term compared to businesses from across the whole Park area attributing an average score of 5.14 compared to the sample average of 4.93 in 2011/12. The same was also true for non-tourism businesses (5.36) as well as accommodation providers (5.03).



Looking to the next 12 months, confidence increased above the short term rate to 5.42 in 2011/12. However, medium term confidence was, again, well below that recorded a year ago (5.75) and also two years ago in the partial year period, Q3 2009 to Q1 2010 (6.36). Medium term confidence fell to a new low of 5.29 in Q1 2012 following the previous low the quarter before (Q4 2011).

As for the short term rate, businesses in Badenoch & Strathspey were slightly more optimistic than businesses from other sub-areas in and around the Park about the medium term (5.53).

Confidence in the long term (next two years) increased above the medium term level and was rated at 5.69 compared to 5.97 in 2010/11 and 6.54 in the 2009/10 partial year period. A new record low of 5.50 was reached in Q1 2012.

In contrast to the short and medium term trend, Royal Deeside businesses attributed slightly higher levels of confidence in the long term than those from elsewhere across the Park area. Interestingly, non-tourism businesses were also slightly more optimistic about the next two years than tourism businesses.

Conclusions

Each quarter the CBB canvasses opinion from a wide range of businesses in and around the Park area. The resulting feedback is immensely valuable providing hard evidence to inform business operators and those charged with promoting and developing tourism about the state of the visitor economy.

Unsurprisingly, given the ongoing challenging backdrop, business levels have continued to decline slightly from those recorded a year ago. A small net reduction in customer numbers and turnover was observed during the year and, in particular, Q1 2012 saw the greatest fall in business levels since the survey began in Q3 2009. It is important for businesses and development organisations at this time to 'take stock' of the current situation and consider steps to counter this downward trend.

A trend of increasing costs has also continued during the year with supplier costs consistently acknowledged to be higher than a year previously. Supplier costs and the

weather were perceived to be the two greatest barriers this year, above bureaucracy which was flagged as the main concern last year. VAT along with fuel prices and the costs of raw materials, amongst other things, influence the costs of goods and services supplied to businesses which has a knock-on effect in terms of business profitability.

However, despite the tough trading conditions and whilst slightly below last year's levels, businesses have continued to demonstrate an appetite to maintain and, in some cases, increase investment in their products, staff and marketing which is crucial in order to compete effectively for a share of tourism revenues. Marketing spend, in particular, is one area that businesses appear prepared to invest more on in the future which should help in reversing the trend of declining customer numbers.

This being said, the sense is that businesses are less confident about the future than previously; business confidence during the period was at its lowest levels since the survey began in Q3 2009. It will be interesting to see how performance and sentiment pans out in the next quarter (Q2 2012) especially following some of the sharp falls observed between Q4 2011 and Q1 2012.