

Cairngorms Business Barometer: July to September 2012

Introduction

The Cairngorms Business Barometer (CBB) gathers data each quarter on a range of aspects, including levels of business performance and investment, from mostly tourism related businesses in and around the Cairngorms National Park (CNP). The results give insight into how the tourism sector is performing overall and help monitor any changes over time providing critical information for those running tourism businesses as well as those charged with the responsibility of developing tourism across the area.

This report summarises the key findings from the results of the recent online survey issued to businesses in October 2012 regarding the period **1st July to 30th September 2012**, hereafter referred to as **Q3 2012**. With the Park-wide barometer now in its fourth year reference is also made to results of previous quarters, in particular, Q3 2011 (the same quarter last year) as well as Q3 2010 and Q3 2009 (the same quarter two and three years ago) which brings an additional level of insight to the figures reported this quarter.

Executive Summary

- A similar mix of visitors were in the area as in previous July to September periods. Visitors from Scotland continued to make up the largest proportion of footfall.
- Reductions in business levels compared to Q3 2011 were apparent. However, looking ahead to the next 12 months, businesses were slightly more optimistic than a year ago about the likelihood of achieving increased customer numbers and turnover.
- Average occupancy was slightly lower than a year ago and, against the trend among all businesses, accommodation providers expected performance to continue deteriorating over the next 12 months.
- Business investment continues to be well below the levels previously recorded in 2009 and 2010. Whilst there were slight increases in investment compared to recent quarters, this quarter saw a worrying sign that businesses are planning to allocate less than indicated in previous quarters for marketing in the year ahead.
- Staff, administration and, in particular, supplier costs all increased compared to the same period a year ago and are expected to continue increasing at similar rates in the next 12 months.
- Short-term confidence was low. Sentiment improved for the medium and long term with confidence levels generally higher than in previous quarters of 2012 but still notably below those of 2009 and 2010.

Cairngorms Business Partnership Commentary

The Barometer confirms anecdotal feedback as to how challenging the summer was as a trading period. Increasing supplier costs remain a major issue which has prompted the CBP to respond with a new cost saving scheme as part of the membership benefits offering.

Longer term confidence has slightly improved. Returning to the business levels of 2009/10 remains a challenge for local businesses but it is heartening to see some optimism return in the longer term.

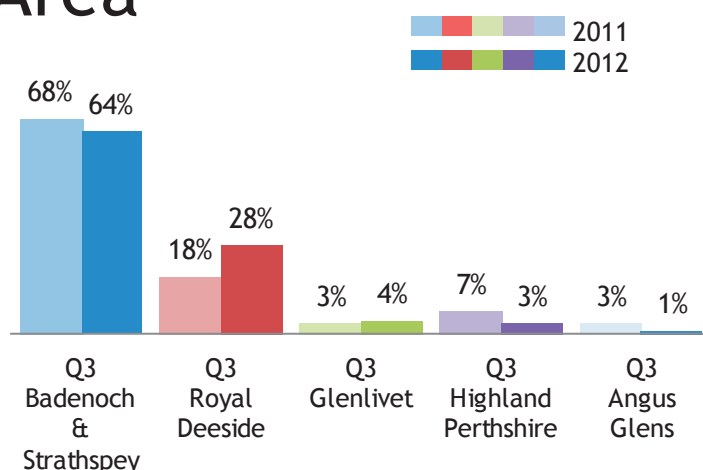
Sample

One hundred and twenty-one businesses from across the Cairngorms National Park (CNP) area responded to the survey this quarter (Q3 2012).

A similar mix of businesses as in previous quarters provided feedback with the majority being from Badenoch & Strathspey (64%).

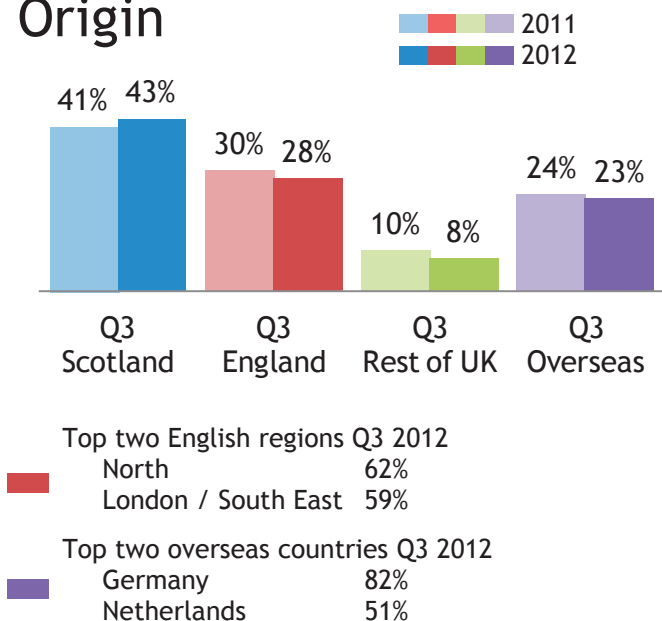
Slightly fewer accommodation providers than in recent quarters contributed to the sample, however, they continue to account for the largest share of responses by business sector (45% in Q3 2012) followed by activity operators (17%) and catering and retail establishments (16%).

Area



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Origin



Please note: percentages above are based on the aggregation of businesses' estimations of their customer mix during the quarter.

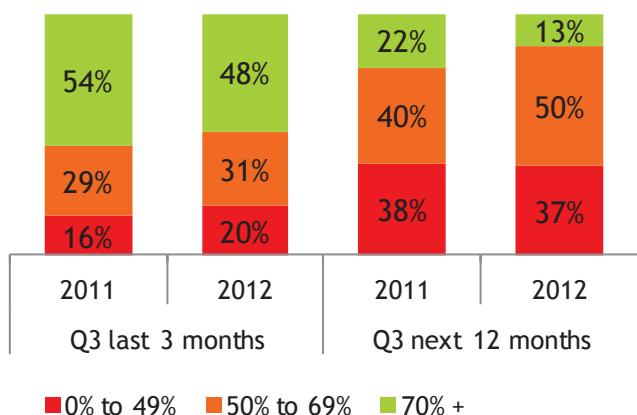
Business Levels

Reversing the trend of increasing levels of business recorded in previous comparable quarters (albeit minimal in Q3 2011), businesses indicated a marked reduction in the number of customers and level of turnover compared to a year previously - just over half of businesses stated that customer numbers and turnover decreased compared to the same period a year ago.

Despite the downbeat assessment of performance during the quarter, businesses gave a slightly more optimistic view than at the same time last year (i.e. Q3 2011) about future performance in the year ahead. However, the general feeling was that businesses would, at best, achieve only slight increases in levels of business from their current position.

Looking specifically at the summer school holiday period in July and August, it appears that performance was particularly poor and, on average worse than during the quarter as a whole.

Occupancy



Customer Profile

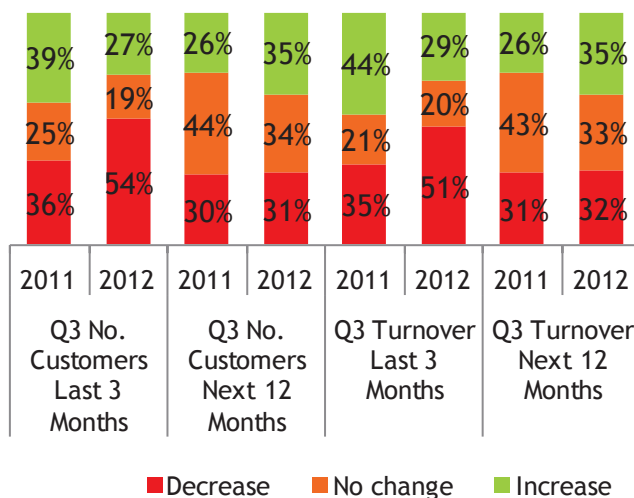
The profile of visitors perceived to be in the area was by-and-large comparable with that of previous corresponding quarters - Q3 2009, Q3 2010 and Q3 2011. The Scottish market continues to account for the largest share of footfall (43% this quarter), followed by those from England (28%) and overseas visitors (23%).

Visitors from North and South East England (including London) remain two particularly important markets.

Around five out of six businesses engaged with overseas customers during the quarter and, as in previous quarters, Germany was a key market - 82% of businesses indicated that most of their overseas visitors were from Germany.

The third quarter of the year traditionally attracts the highest proportion of first time visitors to the area and this trend was once more apparent with first timers making up just under 60% of the customer base (and repeat visitors just over 40%).

Business Levels



Accommodation

Consistent with the performance of the overall sample, accommodation providers achieved lower average occupancies than in comparable previous quarters. This being said, around a half registered high average occupancy of 70% or more during the period.

Against the trend among all businesses, accommodation establishments were less optimistic about the coming 12 months than they were a year ago. Following last quarter's record low assessment of how future performance might pan out there was only a minor improvement in their expectations this quarter.

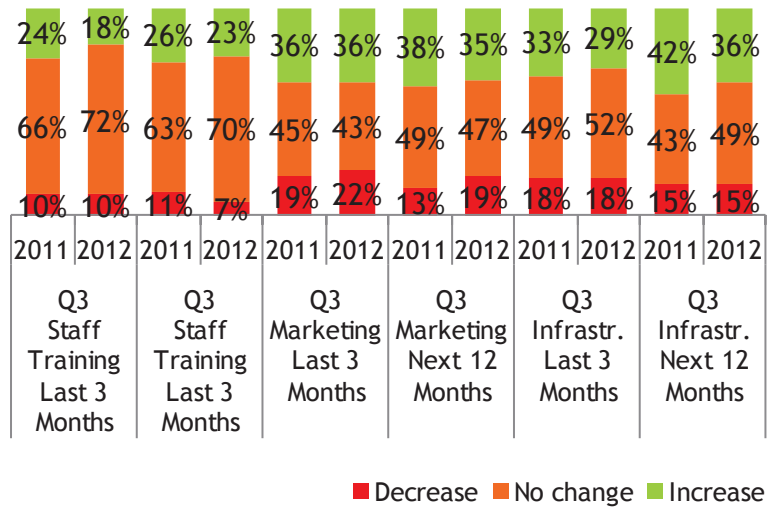
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Levels of Investment

The overall level of investment in staff training remained fairly constant compared to the same period a year ago with the vast majority of businesses spending the same amount as in the past. The trend looks set to continue in the next 12 months as most businesses forecasted no change in this investment.

Businesses indicated that they invested slightly more on marketing this quarter than last quarter. The general trend, however, was consistent with previous comparable quarters as a slight net increase in expenditure was apparent. Whilst businesses expect to spend more in the year ahead, the rate of change was slightly below that of a year ago and significantly below Q3 2009 and Q3 2010 levels.

Levels of Investment



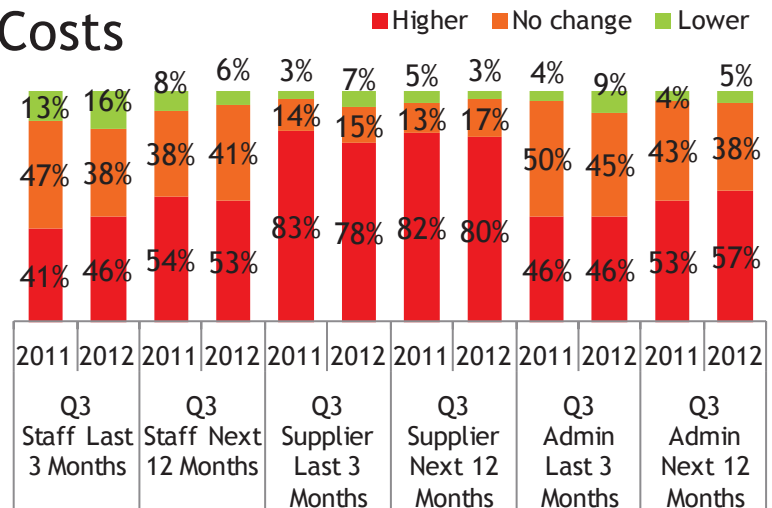
Building and infrastructure investment was on par or perhaps slightly higher than a year ago which was similar to the data collected in Q3 2011, but below Q3 2010 and Q3 2009 figures. Respondents generally expected to increase investment in the 'bricks and mortar' of their business and the rate of increase was broadly in line with last year but, again, well below that of 2009 and 2010.

Costs

Staff costs were perceived to be slightly higher than a year ago but the rate of increase was generally on par with comparable quarters. Businesses expected these costs to continue increasing at a slightly steeper rate than currently in the next 12 months.

Similar to previous corresponding quarters but slightly below Q3 2011 - when fuel prices across the UK rose comparatively sharply - 78% of businesses indicated supplier costs had increased from last year. It was expected that supplier costs will continue increasing at the same rapid rate in the next 12 months which was a slightly improved picture from a year ago.

Costs



Broadly consistent with recent and previous comparable quarters, administration costs were regularly cited as being higher than a year ago. In the next 12 months, businesses anticipate these costs to continue rising at a slightly quicker rate than currently.

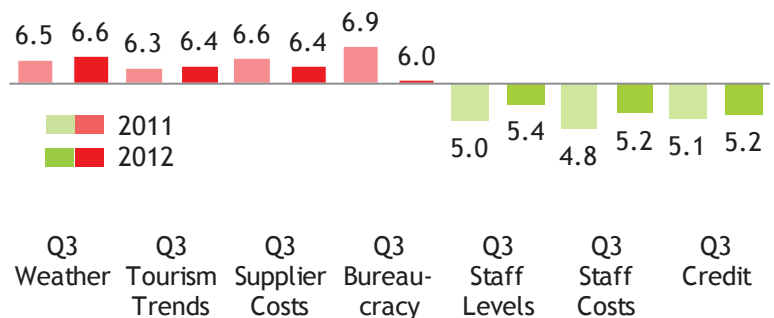
Perceived Barriers to Growth

The adjacent chart displays barrier to growth scores using a 1 to 10 rating scale where 1 is 'not at all a barrier' and 10 is 'very much a barrier'.

The average barrier to growth score was 5.9 which was comparable with Q3 2011 but slightly above last quarter's score (5.8).

As in Q2 2012, weather was the greatest worry for businesses followed by tourism trends and supplier costs. Interestingly, bureaucracy/legislation was considered to be notably less of a barrier than a year ago.

Barriers



Q3 2011 Average rating = 5.9
Q3 2012 Average rating = 5.9

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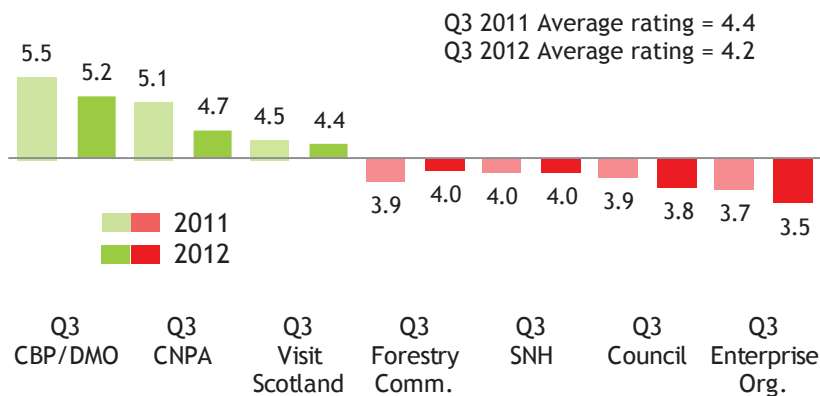
External Support

The adjacent chart displays contribution scores, using a 1 to 10 rating scale where 1 is 'very poor contribution' and 10 is 'very good contribution'.

The contribution provided by key organisations playing a role in tourism across the CNP area was perceived in a more positive light this quarter compared to last quarter (4.2 versus 4.0) but was below that of a year ago (4.4).

Services provided by Destination Management Organisations and the Cairngorms Business Partnership continued to be most positively recognised although generally less well compared to Q3 2011. The Cairngorms National Park Authority (CNPA) and VisitScotland were also rated above average whilst the contribution of local Councils and, in particular, Enterprise Organisations were rated well below average.

External Support

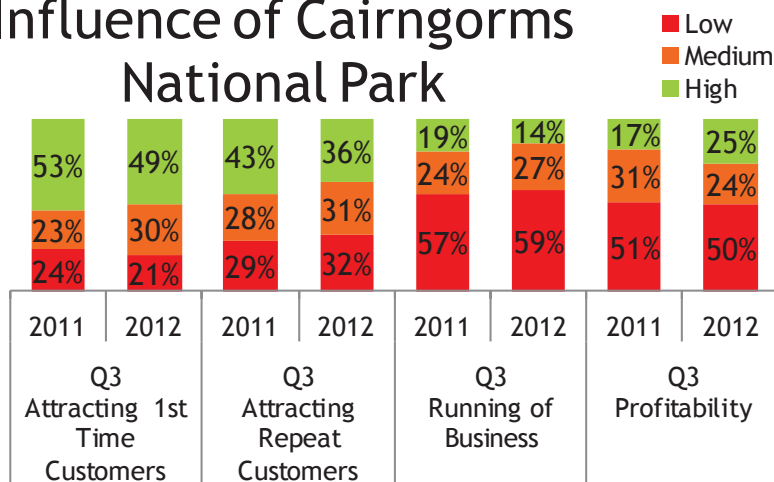


Influence of CNP

Respondents were asked to rate the influence of the Park using a 1 to 10 rating scale where 1 is 'not at all an influence' and 10 is 'very much an influence'. These responses are grouped by Low (scores of 1 to 4), Medium (scores of 5 to 6) and High (scores of 7 to 10) in the adjacent chart.

The National Park was generally considered to have a medium overall level of influence in attracting trade to the area and, as in previous quarters, was viewed as playing a more prominent role attracting new customers (rather than repeat ones) for the businesses in the area.

Influence of Cairngorms National Park



Meanwhile, the role of the Park was deemed to be relatively insignificant in terms of its impact on business profitability and, in particular, business operations.

Business Confidence

Confidence in the short term (next three months) was lower than in any previous corresponding quarter and was at its second lowest level (4.5) since the survey began in Q3 2009.

Encouragingly, prospects for the next 12 months were slightly more upbeat than recent assessments rated at 5.5. However, medium term confidence was still well below the levels recorded in 2009 and 2010 – scores were regularly 6.0 or above during this period.

A similar picture was apparent for long term confidence (next two years) with businesses more optimistic about the future than in recent quarters, but still notably less confident than in 2009 and 2010.

Business Confidence

