

CAIRNGORMS BUSINESS BAROMETER 2013/14

SUMMARY REPORT

Prepared for:

CAIRNGORMS BUSINESS PARTNERSHIP



Your Local
Chamber of Commerce
Working for You

Prepared in:

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INTRODUCTION

The Cairngorms Business Barometer (hereafter referred to as the 'Barometer') has sought and collated opinions from a sample of predominantly tourism-related businesses from across the Cairngorms National Park (CNP) area each quarter since Q3 2009.

A range of key aspects, like business confidence, levels of business performance and perceptions of barriers are monitored each quarter. The insights gained are used in monitoring ongoing levels of tourism activity and perceptions among businesses and help inform decision making in the development and implementation of initiatives to drive tourism growth in the Park area.

LJ Research (LJR) has been responsible for undertaking this research since 2009 latterly on behalf of Cairngorms Business Partnership (CBP) with support from Cairngorms National Park Authority (CNPA), Highlands and Islands Enterprise, Highland Council and Scottish Enterprise.

This report summarises the key aggregated findings of the four quarterly surveys conducted between Q2 (April to June) 2013 and Q1 (January to March) 2014, inclusive. Discussion of results from previous individual and aggregated quarterly periods is also provided in order to add context to this year's results. Significant findings from cross-analysis of the 2013/14 survey responses by tourism business sectors are also discussed throughout the report to provide an additional level of insight.

METHODOLOGY

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

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

- Badenoch & Strathspey
- Royal Deeside & Donside (hereafter referred to as Royal Deeside)
- Tomintoul & Glenlivet (hereafter referred to as Glenlivet)
- Angus Glens
- Atholl & Glenshee (hereafter referred to as 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 then sent to businesses by LJR and CBP to help augment the overall response each quarter.

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

SAMPLE

As in previous years, most contacts who were invited to participate in each survey represented tourism-related businesses across the five sub-areas of the Park area.

The distribution of the sample by the five sub-areas of the Park in 2013/14 is shown below.

Figure 1: Survey Responses By Sub-Area & Quarter

Sub-Area & Quarter	Emails	Emails (% of Quarter base)	Survey Responses	Survey Responses (% of Quarter base)
Badenoch & Strathspey Q2 2013	746	69%	72	66%
Royal Deeside Q2 2013	203	19%	21	19%
Highland Perthshire Q2 2013	75	7%	11	10%
Glenlivet Q2 2013	52	5%	5	5%
Angus Glens Q2 2013	7	1%	0	0
Q2 2013 (Total)	1083	100%	109	100%
Badenoch & Strathspey Q3 2013	808	68%	65	64%
Royal Deeside Q3 2013	215	17%	21	21%
Highland Perthshire Q3 2013	88	7%	6	6%
Glenlivet Q3 2013	60	5%	8	8%
Angus Glens Q3 2013	9	1%	1	1
Q3 2013 (Total)	1180	100%	101	100%
Badenoch & Strathspey Q4 2013	762	68%	62	64%
Royal Deeside Q4 2013	203	18%	20	21%
Highland Perthshire Q4 2013	82	7%	11	11%
Glenlivet Q4 2013	59	5%	4	4%
Angus Glens Q4 2013	9	1%	0	0
Q4 2013 (Total)	1115	100%	97	100%
Badenoch & Strathspey Q1 2014	806	71%	62	63%
Royal Deeside Q1 2014	189	17%	18	18%
Highland Perthshire Q1 2014	73	6%	11	11%
Glenlivet Q1 2014	61	5%	5	5%
Angus Glens Q1 2014	9	1%	2	2%
Q1 2014 (Total)	1138	100%	98	100%
Badenoch & Strathspey (Total)	3122	69%	261	64%
Royal Deeside (Total)	810	18%	80	20%
Highland Perthshire (Total)	318	7%	39	10%
Glenlivet (Total)	232	5%	22	5%
Angus Glens (Total)	34	1%	3	1%
CBB 2013/14 Total	4516	100%	405	100%

As shown above, the survey achieved a broadly representative spread of responses from businesses across each of the five sub-areas.

The overall sample is 405² responses in 2013/14 (compared to 395 in 2010/11, 470 in 2011/12 and 428 in 2012/13).

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

KEY FINDINGS

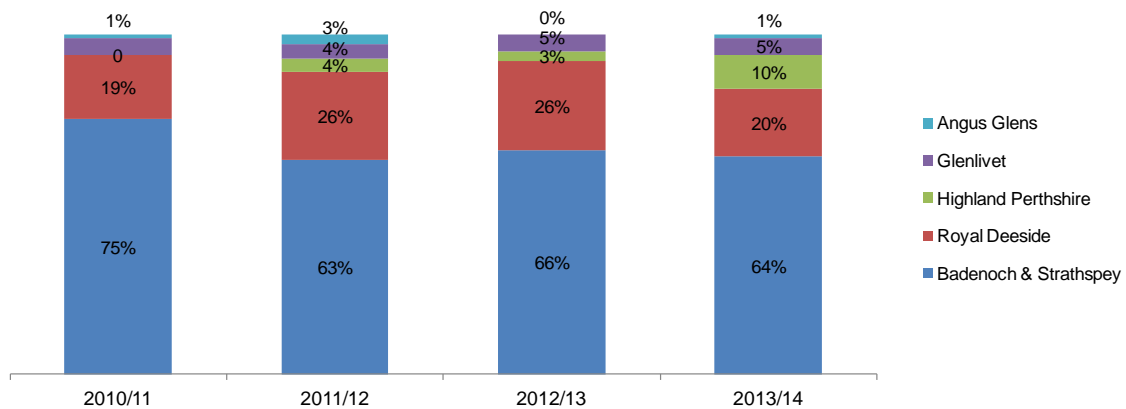
Sample

Quarter



There was an even share of survey responses across the quarters as each quarterly sample accounted for around 25% of all responses achieved during the year. This resulted in a more balanced mix of responses across the year compared to the previous three full year periods.

Sub-area

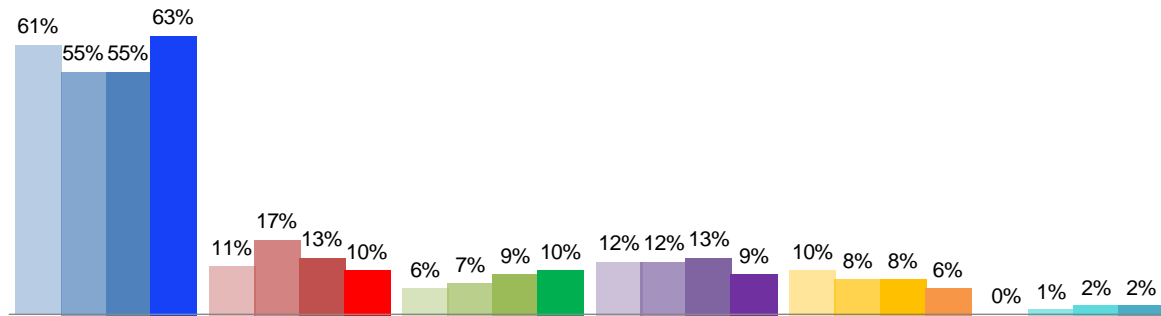


As before, the majority of responses came from businesses in the Badenoch & Strathspey area of the CNP.

Overall, there was a similar mix of Badenoch & Strathspey businesses, fewer Royal Deeside and slightly more Highland Perthshire based businesses compared to previous years.

Business sector

Note: Chart series left to right is 2010/11 (lightest shading), 2011/12, 2012/13, 2013/14 (darkest shading)



Accommodation (sample size N =)				Food / beverage / retail (sample size N =)				Attraction (sample size N =)				Activities (sample size N =)				Non-tourism business (sample size N =)				Other (sample size N =)			
239	259	236	255	44	79	54	42	23	33	38	40	47	57	57	35	41	38	33	24	1	4	10	9

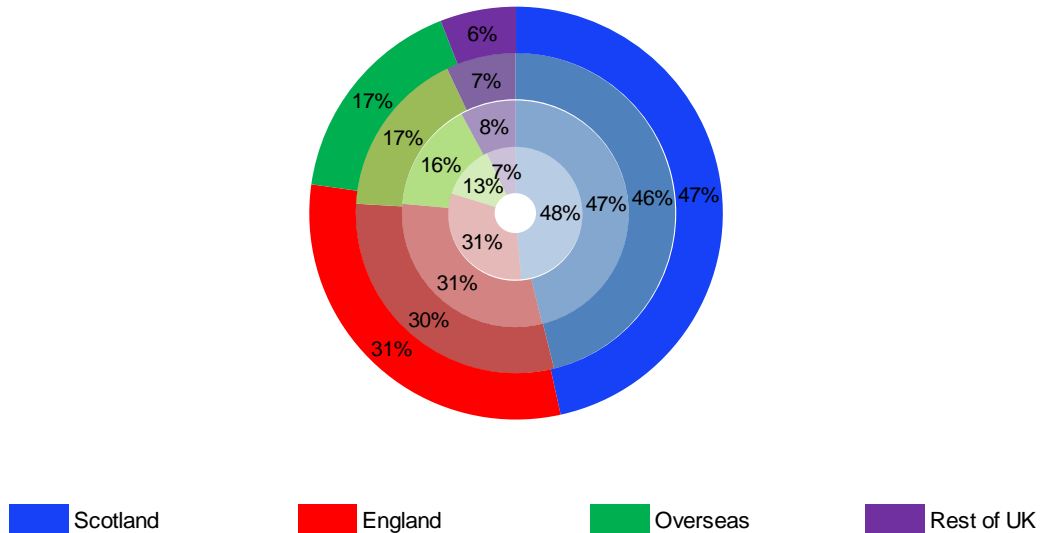
Accommodation providers again, made up the majority of responses by business sector. There was a more evenly balanced mix of responses among activity operators, attractions and catering and retail businesses.

Broadly on par with the long-term average, non-tourism businesses accounted for just over 5% of the sample in 2013/14.

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).

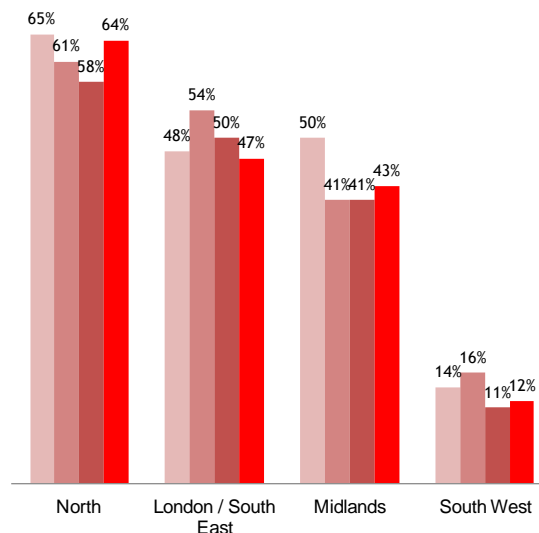
Origin of customers



Note: Chart series inner to outer is 2010/11 (lightest shading), 2011/12, 2012/13, 2013/14 (darkest shading)

Comparable with previous years, Scotland-based customers were considered to account for just under 50% of footfall in the Park area. As has been the trend, businesses noted proportionally more trade from Scotland-based customers in Q1 (i.e. January to March) and, in particular, Q4 (i.e. October to December).

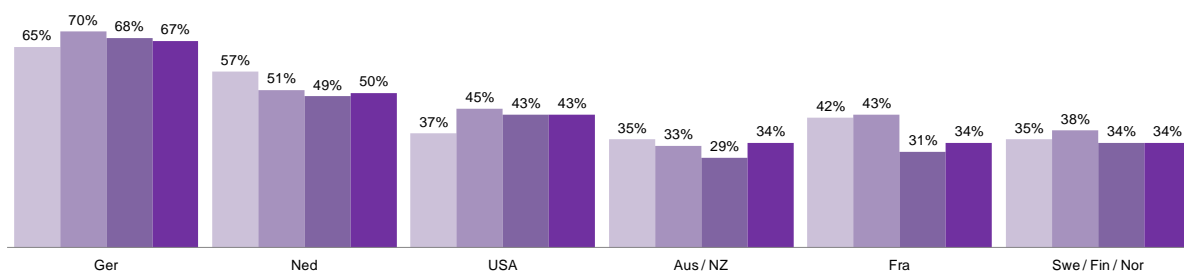
The next most significant customer market by origin was visitors from England who, as in previous years, were estimated to make up 30% of all customers. Unlike for Scotland-based visitors or visitors from overseas, there was no seasonal variation apparent for visitors from England as in each quarter they consistently accounted for circa 30% of all customers.



Note: Chart series left to right is 2010/11 (lightest shading), 2011/12, 2012/13, 2013/14 (darkest shading)

The mix of visitors from England was comparable with previous years with those from the North of England again identified as the key segment followed by visitors from London / South East and the Midlands.

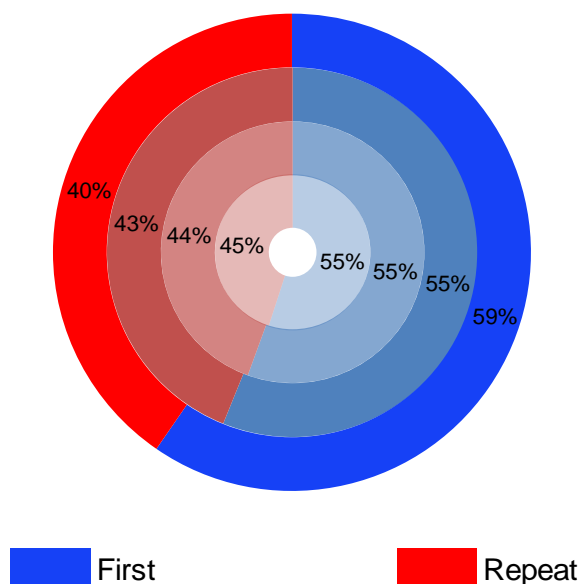
On par with previous years, overseas visitors made up 17% of Park area visitors. There were proportionally more of these visitors in the Park area during the middle quarters of the year (Q2 and Q3) with Q3, in particular, achieving a record high proportion of overseas visitors (27% of all Park area customers).



Note: Chart series left to right is 2010/11 (lightest shading), 2011/12, 2012/13, 2013/14 (darkest shading)

The mix of international visitors was similar to last year with visitors from Germany being most common followed by those from the Netherlands and United States. Compared to 2010/11 and 2011/12, however, there was a sense that businesses engaged with a less diverse mix of international visitors.

Type of customers



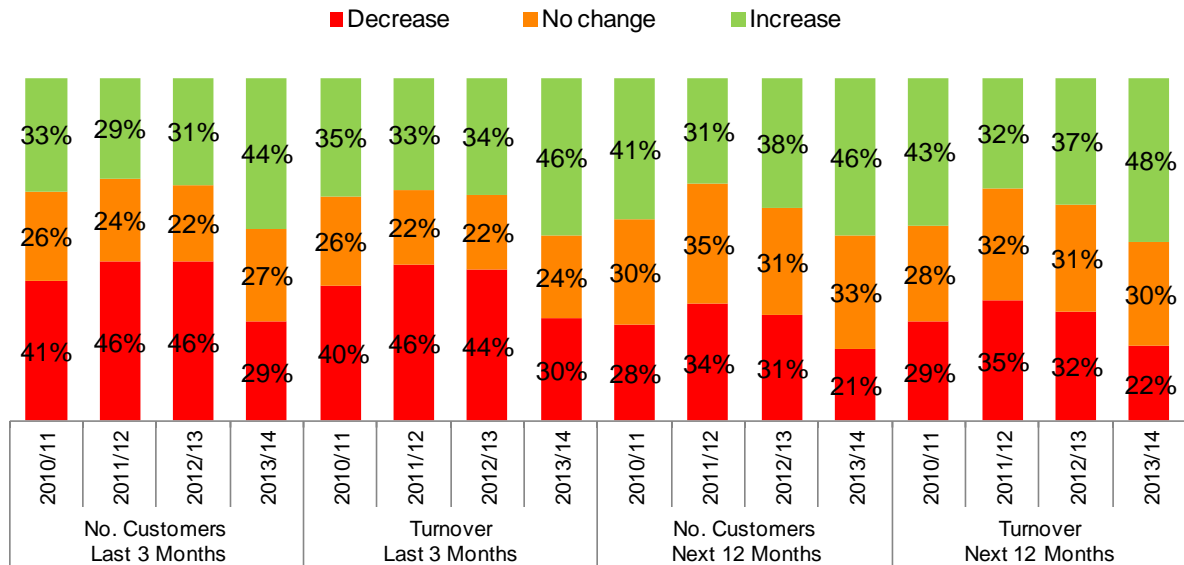
Surprisingly, given the static results on visitor origin, businesses in the Park indicated that they engaged with more first time customers in 2013/14 compared to previous years; first time customers accounted for nearly 60% of the overall customer base compared to 55% in previous years.

Accommodation businesses and attractions tended to engage with the most first time customers whilst the opposite was true for retail and catering businesses and non-tourism businesses.

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



Following three consecutive years of declining levels of business, 2013/14 recorded an overall net increase in customer numbers and turnover compared to the year before. The middle quarters of the year (Q2 and Q3) saw the highest gains in achieved footfall and turnover with performance in Q3 2013 particularly positive: over 60% of businesses increased business levels during the period which coincided with a year after the Olympics.

Activity operators and attractions reported the biggest growths in achieved business levels during the year with over 50% of these businesses increasing customer numbers compared to 2012/13. In contrast, however, retail and catering businesses overall recorded a reduction in levels of business compared to 2012/13.

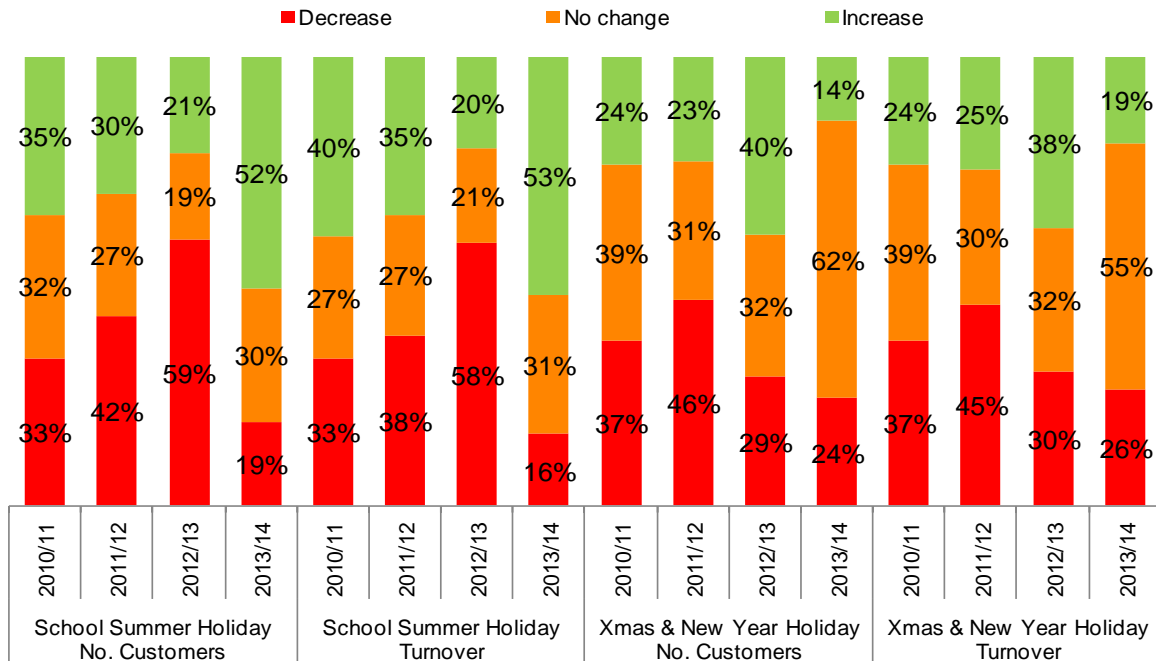
When asked about expected levels of business in the next 12 months, businesses overall attributed a more upbeat assessment compared to any of the previous three years. Overall, nearly 50% of businesses throughout the year expected to increase customer numbers and turnover in the forthcoming 12 months.

Compared to previous years there was more consistency in the expectations of businesses regarding their future performance as they generally attributed similar forecasts in each quarter of 2013/14.

Despite indicating high levels of achieved growth during the year, attractions showed typically lower levels of optimism for future business as too did catering and retail businesses. Meanwhile, activity operators expected the highest levels of business growth in the future which was consistent with their achieved performance during the quarters.

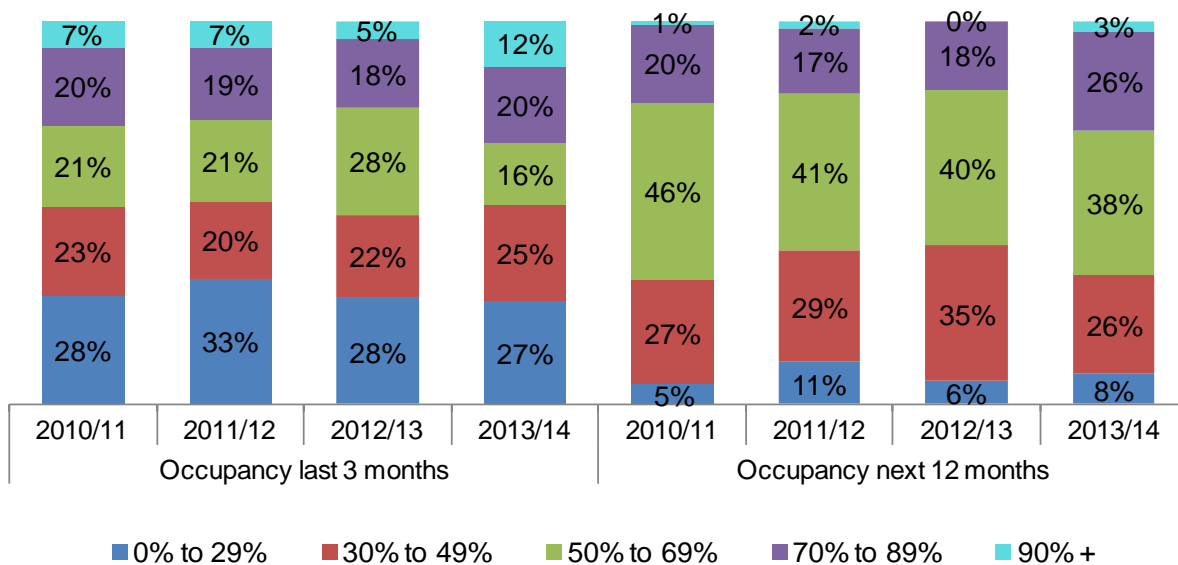
Customer numbers and turnover – Seasonal periods

As in previous years, performance during each of the seasonal holiday periods evaluated each quarter (i.e. the May bank holidays, the school summer holidays, the Christmas and New Year holiday period and February half term break) was generally below that of the quarter as a whole. However, for the first time since the Barometer began, increased overall levels of business across the seasonal holiday periods was apparent in 2013/14.



There was a significant increase in business levels during the school summer holiday period which was a major factor in contributing to the seasonal period growth. Meanwhile, against the trend for the year as a whole, the Christmas and New Year holiday period was marked by notably lower levels of business compared to the 2012/13 period.

Occupancy

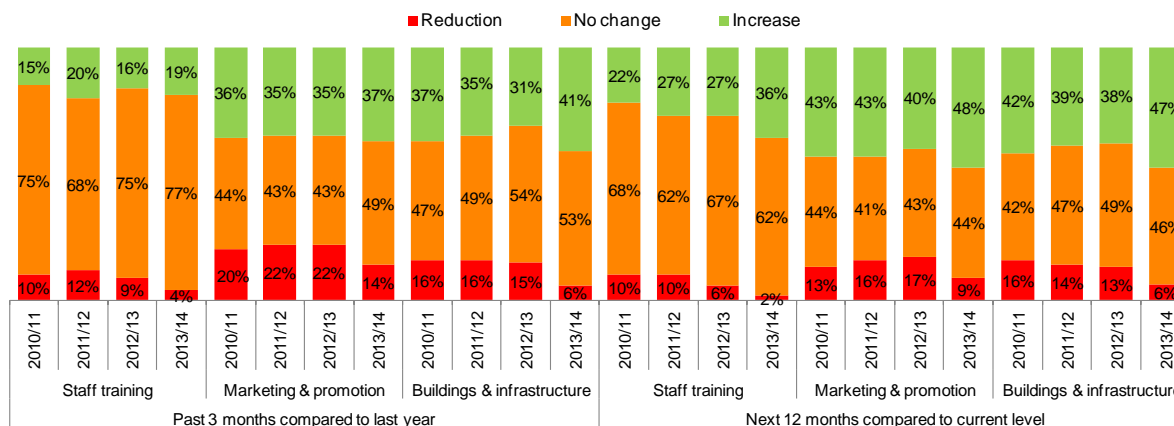


Accommodation providers achieved slightly higher levels of occupancy overall compared to previous years. That said, around half of all accommodation businesses achieved an average occupancy of less than 50% during the year period which was comparable with previous years. Higher levels of volatility in performance levels among accommodation providers were apparent this year with performance being significantly up in Q3 2013 and signs of notable reductions in demand in Q4 2013 and Q1 2014.

As in previous years, accommodation providers (along with other business types) tended to forecast higher levels of demand for the next 12 months compared to the previous 3 months. Overall expectations for future performance were more positive in 2013/14 compared to previous years as, most notably, there was a pronounced increase in forecasts of high occupancy of 70% or above: 30% of businesses expected to achieve this level of performance during 2013/14 compared to around 20% in the previous three years.

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

Levels of staff training investment continued to be by-and-large unchanged for most businesses in 2013/14. However, fewer businesses compared to previous years reduced expenditure on staff training which resulted in an overall net increase. This trend was consistent throughout all quarters of 2013/14.

When asked to think about the next 12 months most businesses, again, indicated that their investment in staff training would continue largely unchanged. However, consistent with the incurred investment behaviour above, businesses expected to invest more overall into this aspect than in previous years.

Marketing and promotion

Overall marketing and promotion expenditure was slightly above the level of previous years as fewer businesses decreased their investment into this aspect. However, against the trend observed for other business types, retail and catering businesses recorded a net reduction in their marketing investment compared to the 2012/13 period.

Appetite to invest in marketing in the year ahead was also generally stronger than in the previous three years with fewer than 10% of businesses expecting to reduce their investment over the next 12 months. Activity operators and attractions tended to indicate more positive intentions for marketing and promotion investment than other businesses.

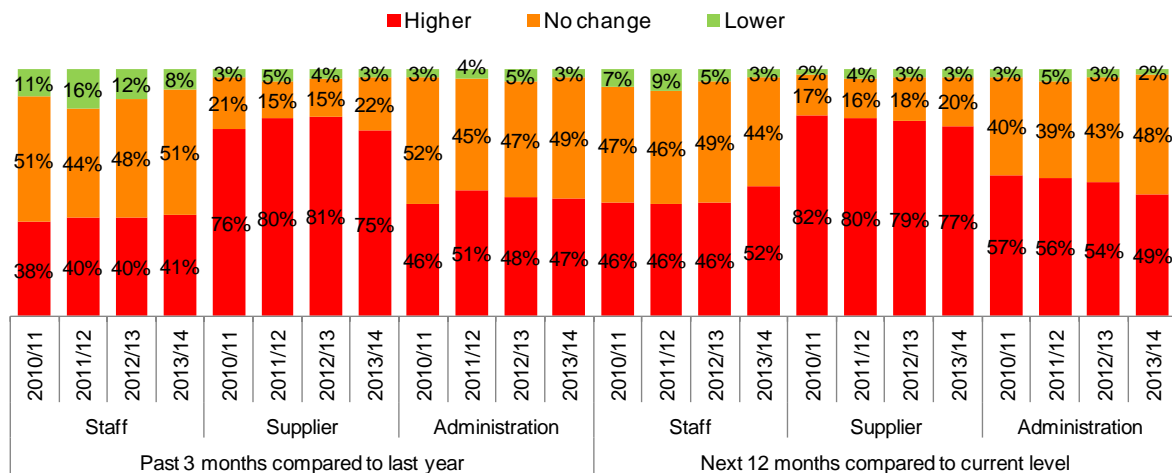
Buildings and infrastructure

Buildings and infrastructure investment overall grew significantly compared to the previous three years. In particular, Q1 2014 marked the highest year-on-year increase in building and infrastructure investment since the Barometer began in Q3 2009. Attractions indicated more buildings and infrastructure investment had been undertaken during the period compared to other businesses.

A similar overall level of investment to that undertaken was planned for the next 12 months with businesses generally expecting to spend more on buildings and infrastructure investment which was a notable increase compared to previous years. As has been the trend in previous year, activity operators and retail / catering businesses tended to indicate lower levels of buildings investment compared to accommodation providers and attractions.

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 were slightly higher overall for businesses compared to previous years with retail and catering businesses most likely to be feeling the pinch of higher staffing costs throughout the year. Staffing appears to have been more challenging during the middle quarters of the year as businesses stated notably higher staff costs in Q2 and Q3 2013.

These costs were expected to continue increasing and at a slightly steeper rate than had been recorded in previous years; for the first time more businesses indicated that staff costs were likely to be higher in the year ahead than the same or lower. Particularly high levels of concern about staff costs were evident in Q1 2014 as businesses forecasted a much steeper increase in these costs compared to the ongoing Q1 average. Consistent with the incurred cost trend, retail and catering businesses highlighted comparatively steeper increases in staff costs than other types of businesses.

Supplier costs

Supplier cost increases again outstripped staff and administration cost increases and were again stated as having increased quite significantly from a year ago. That said, there was evidence that these cost increases had slowed down slightly as fewer businesses overall in 2013/14 indicated higher supplier costs compared to a year ago, a finding that was particularly evident in Q4 2013 and Q1 2014.

Perhaps a reflection of less steep supplier cost increases towards the end of the 2013/14 period, businesses attributed a more upbeat assessment of supplier costs for the next 12 months compared to previous years although the vast majority (77%) continued to forecast higher costs ahead.

As in previous years, supplier costs appear to have disproportionately affected retail and catering businesses along with accommodation providers as they consistently attributed higher actual and forecasted increases in these costs compared to other business types.

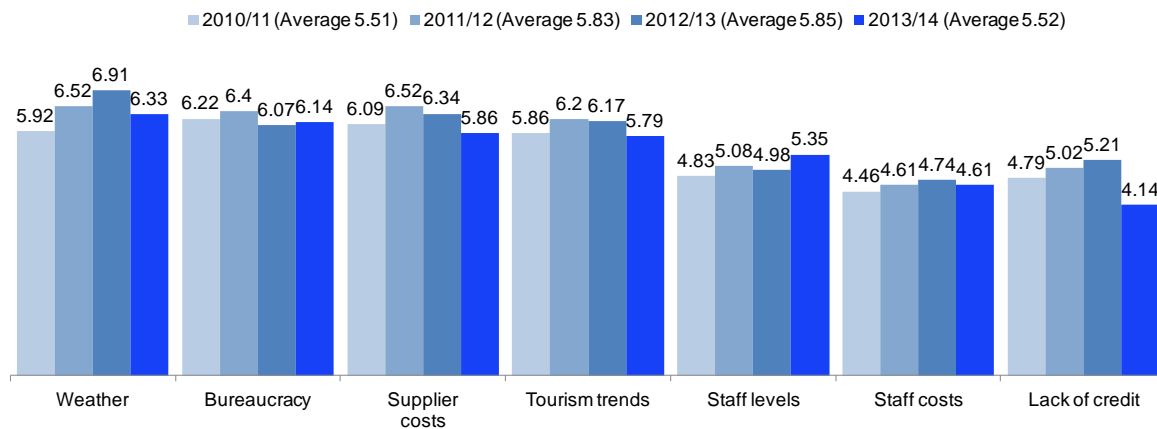
Administration costs

Administration costs were again considered to have increased by generally more than staff costs but by less than supplier costs. The rate of change of these costs was broadly consistent with previous years with around 50% of businesses citing higher administration costs compared to the same period a year ago. These costs have tended to increase the most during the second quarter of the year and this result was again apparent in 2013/14.

Looking to the next 12 months businesses expected administration costs to increase at a similar rate compared to their existing level. Overall around 50% of businesses expected these costs to increase in the year ahead which compared to previous years equated to a slightly slower rate of increase. Catering and retail businesses were most likely to cite steeply increasing administration costs whilst the opposite was true for activity operators and attractions.

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 potential barriers were generally perceived to be less of an obstacle to growth compared to the last two years as the average barrier to growth score of 5.52 was below that of 2012/13 (5.85) and 2011/12 (5.83).

Improved perceptions of potential barriers to growth were most pronounced in the latter two quarters of the period as the overall average barrier to growth score fell from around 5.7 in the first two quarters of the period to 5.3.

Repeating a trend of the last two years, weather was considered to be the biggest barrier rated at 6.33 out of 10.

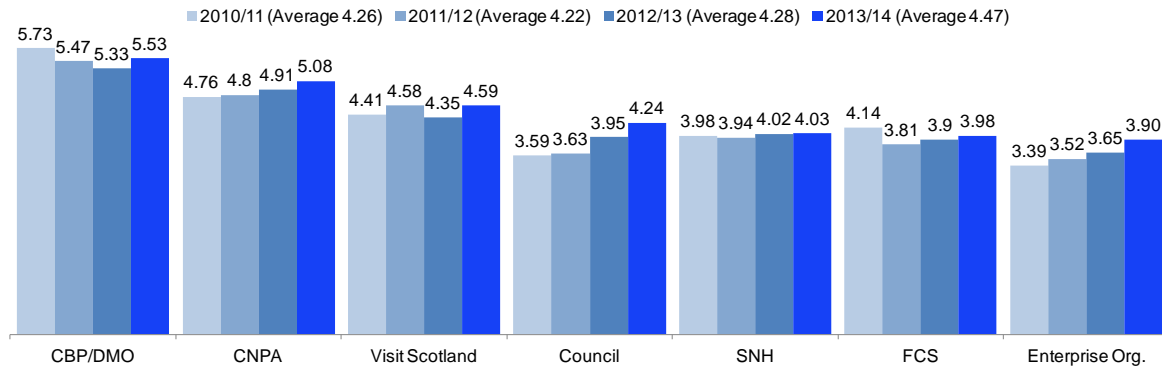
Rising in prominence compared to the last two years, bureaucracy and legislation was the second most challenging barrier rated at 6.14 overall followed by supplier costs (5.86) which was rated at its lowest level ever.

Staff costs (4.61) and credit (4.14) were considered to be the least challenging barriers with the latter, in particular, recording a notably lower average barrier to growth score of 4.14 compared to previous years.

The only barrier to be rated higher overall in 2013/14 compared to previous years was staff levels. Consistent with earlier observations, it appears that Q2 and Q3 were the most challenging quarters for staffing as during these periods this aspect was rated well above the ongoing average (5.58 vs. 5.15).

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'.



The perceived overall level of support offered by seven organisations playing a role in tourism development across the Park area was rated at 4.47 in 2013/14 compared to 4.26 in 2010/11, 4.22 in 2011/12 and 4.28 in 2012/13.

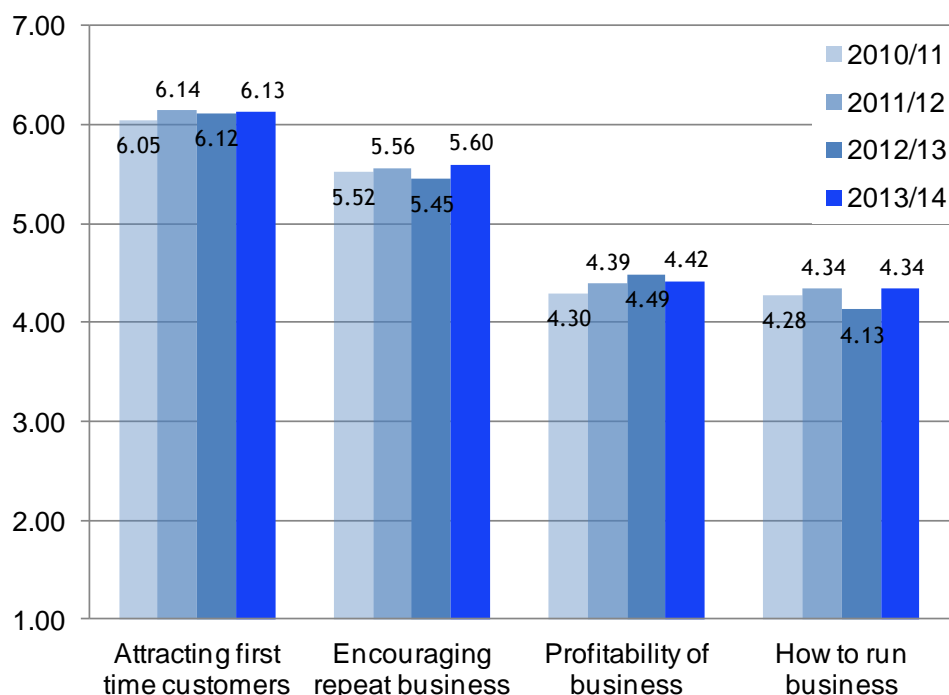
As in previous years, the role of CBP/Destination Management Organisations (DMOs) was rated most positively achieving an average contribution score of 5.53 which was above the last two years but below the 2010/11 level. Again, in line with previous results, CNPA was perceived to provide the second most valuable contribution (5.08 compared to 4.91, 4.80 and 4.76 in previous years).

Despite being rated again below average, notable increases in the perception of the contribution of Councils and Enterprise Organisations were apparent in 2013/14 compared to previous years.

As in previous years, attractions tended to show the highest levels of satisfaction towards the level of support offered whilst the opposite was apparent among retail and catering businesses.

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 in relation to its perceived impact on their business operations and profitability.



Respondents attributed similar overall levels of influence to the role of CNP on their business compared to previous years. However, there was evidence of changing perceptions during the period with Q2 2013 registering a more positive view compared to previous years and Q1 2014 achieving level of influence scores which were well below Q1 2013 and typically below the ongoing average.

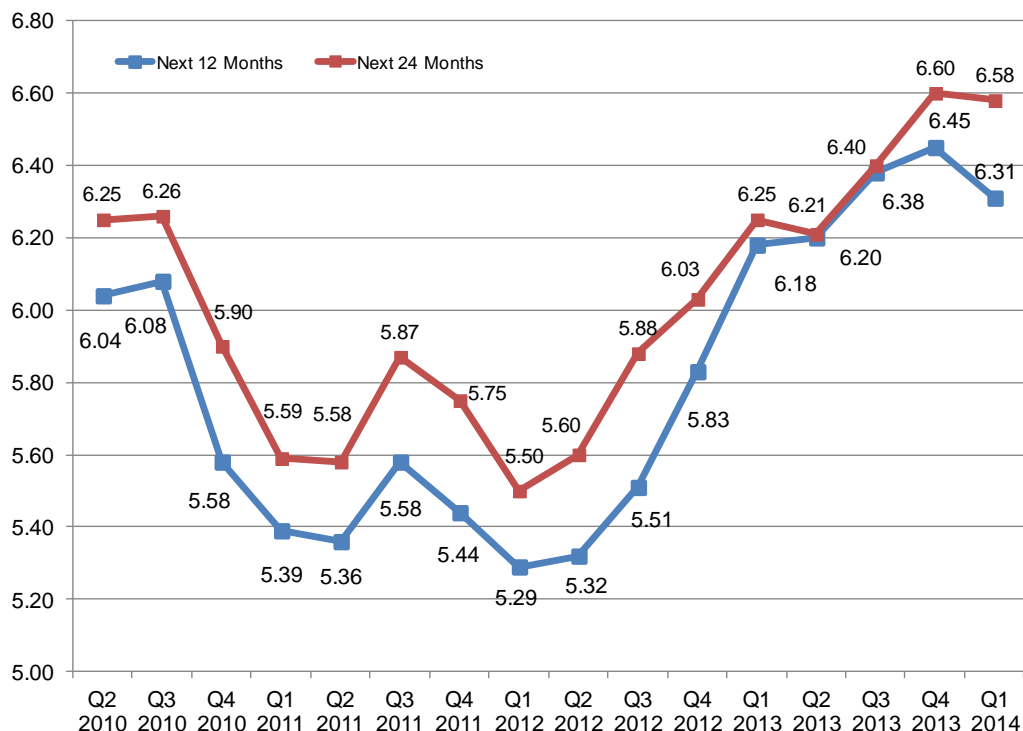
Consistent with previous years' findings, the Park was considered to play a more important role in attracting first time customers to the area rather than repeat customers among all types of businesses.

Again, in line with previous results, typically lower levels of influence were attached to the role of CNP on businesses' day-to-day operations and their profitability, although for the former it is worth noting that a slight increase compared to 2012/13 was observed (4.34 vs. 4.13).

Accommodation providers and attractions tended to attribute a higher level of influence to the role of the Park whilst activity operators and, in particular, retail and catering businesses rated the influence of the Park on their business the lowest.

Business confidence

Businesses were asked to rate their short-term (next three months), medium-term (next 12 months) and long-term confidence using a 1 to 10 rating scale, where 1 was 'very low' and 10 was 'very high'.



Averages	2010/11	2011/12	2012/13	2013/14
Next 3 Months	5.31	4.93	5.31	5.87
Next 12 Months	5.75	5.42	5.67	6.33
Next 24 Months	5.97	5.69	5.91	6.44

Short-term confidence was rated at 5.87 out of 10 overall which was a significant increase compared to the previous three years. As has been the trend in previous years, Q2 generated the highest short-term confidence score of 6.47 – the second highest short-term confidence score on record.

Confidence in the next 12-months (the medium-term) was rated at 6.33 overall which constituted an increase of over 10% in business confidence compared to the previous three years. Medium-term confidence was rated quite consistently during the year peaking at 6.45 – the second highest medium-term score on record – in Q4 and at its lowest level of 6.20 in Q2.

When asked about the long-term (the next two years), confidence levels were, again, well above previous years as an average overall score of 6.44 was achieved. There was a sense of increasing levels of long-term confidence during the period as scores grew from 6.21 in Q2 2013 to 6.6 in Q4 2013 and 6.58 in Q1 2014.

Levels of confidence were quite consistent across tourism business sectors with the exception of retail and catering organisations who, as in previous years, gave consistently lower levels of business confidence scores.

CONCLUSIONS

Following a sustained period of customer number and turnover contractions and ailing levels of confidence, Q1 2013 marked a change in fortunes as signs of business growth finally returned to the Park area.

It is encouraging to report that this trend has by-and-large continued throughout the last four quarters and, as a whole, the 2013/14 period was marked by growing levels of business and rising optimism about the future.

Alongside being typically more optimistic about the future, businesses also showed less concern for factors which could potentially inhibit their growth. Combined these two results highlight a more stable and secure trading environment for businesses to operate compared to recent years.

Whilst an improved trading environment overall was evident, there was again a sense this year that some business sectors had fared better than others. Catering and retail businesses, in particular, were one group who consistently underperformed compared to other businesses and, perhaps as a result of declining trade and/or spiralling costs, tended to attribute the lowest levels of confidence and the highest perception of barriers.

Implementing campaigns and initiatives to drive footfall to eating, drinking and shopping related businesses in the Park areas should be considered in order to address this imbalance which was more prominent than in previous years.

It was encouraging to note improved perceptions of potential barriers to trade, however, amongst a range of positive indicators, staff levels was identified as a notably more significant challenge in 2013/14. There was also evidence from elsewhere in the survey of heightened concerns regarding staff costs, especially during the second half of the period.

These findings highlight a potential supply and demand issue for businesses seeking suitably qualified and experienced staff in the Park area. Measures to assist businesses with their staff training and development will help to broaden the skill set of existing staff which may help to address the challenges some businesses have in recruiting new staff.

One of the most encouraging results this year has been the continued indications of new building and infrastructure investment. Over 40% of businesses during the year (and nearly 50% in Q1 2014) increased their investment in this aspect compared to the year before. Not only does this appetite to invest suggest confidence in the future, it also highlights that businesses have recognised the importance of continuous improvements to their product.

Going forward as we now enter the fifth full year of the Barometer it will be especially interesting to monitor if the gains of 2013/14 continue throughout the period or, as the latest quarterly survey has suggested, there is some slowing of growth and a sense of stabilisation.