

CAIRNGORMS BUSINESS BAROMETER 2014/15

SUMMARY REPORT

Prepared for:

CAIRNGORMS BUSINESS PARTNERSHIP



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INTRODUCTION

The Cairngorms Business Barometer (or the Barometer) has captured business performance and sentiment insights from tourism-related businesses across the Cairngorms National Park (CNP or Park) since Q3 2009.

The Barometer acts as a rigorous 'health check' each quarter and now, at a time when the UK economy is growing again, enables important monitoring of the pace of change in prospects for tourism businesses across the Cairngorms area.

Insights from the survey inform activities and priorities for Cairngorms Business Partnership (CBP) and their partners in order to most effectively grow tourism in the Cairngorms area and facilitate business growth.

This report summarises key findings over the last year (i.e. from the last four quarterly surveys between Q2 – April to June – 2014 and Q1 – January to March – 2015, inclusive) and includes discussion of the results compared to previous annual results to enable a broader understanding of trends.

Additional insights in terms of business sector performance are also outlined to help CBP and their partners identify and act upon the threats and opportunities facing different types of businesses in the Cairngorms area.

METHODOLOGY

The methodology used in 2014/15 survey was identical to that of previous years.

At the start of each new quarter, online surveys in Visitrac¹ were created and distributed to businesses by LJ Research.

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

- Badenoch & Strathspey
- Royal Deeside & Strathdon (hereafter referred to as Royal Deeside)
- Tomintoul & Glenlivet
- Angus Glens
- Atholl & Glenshee (hereafter referred to as Highland Perthshire)

An invitation email containing a link to the relevant survey was sent to business contacts in each of these five sub-areas.

Reminder emails were then sent to businesses by LJ Research 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, the vast majority of contacts invited to participate in the research represented tourism-related businesses based in the Cairngorms National Park.

The composition of the sample in terms of the five sub-areas of the Park 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 2014	775	69%	60	59%
Royal Deeside Q2 2014	193	17%	22	22%
Highland Perthshire Q2 2014	87	8%	12	12%
Tomintoul & Glenlivet Q2 2014	58	5%	7	7%
Angus Glens Q2 2014	8	1%	0	0%
Q2 2014 (Total)	1121	100%	101	100%
Badenoch & Strathspey Q3 2014	726	68%	70	63%
Royal Deeside Q3 2014	192	18%	24	21%
Highland Perthshire Q3 2014	89	8%	7	6%
Tomintoul & Glenlivet Q3 2014	58	5%	9	8%
Angus Glens Q3 2014	9	1%	2	2%
Q3 2014 (Total)	1074	100%	112	100%
Badenoch & Strathspey Q4 2014	698	67%	74	62%
Royal Deeside Q4 2014	186	18%	24	20%
Highland Perthshire Q4 2014	89	9%	13	11%
Tomintoul & Glenlivet Q4 2014	55	5%	8	7%
Angus Glens Q4 2014	9	1%	1	1%
Q4 2014 (Total)	1037	100%	120	100%
Badenoch & Strathspey Q1 2015	694	67%	66	63%
Royal Deeside Q1 2015	184	18%	19	18%
Highland Perthshire Q1 2015	88	9%	9	9%
Tomintoul & Glenlivet Q1 2015	54	5%	8	8%
Angus Glens Q1 2015	9	1%	2	2%
Q1 2015 (Total)	1029	100%	104	100%
Badenoch & Strathspey (Total)	2893	68%	270	62%
Royal Deeside (Total)	755	18%	89	20%
Highland Perthshire (Total)	353	8%	41	9%
Tomintoul & Glenlivet (Total)	225	5%	32	7%
Angus Glens (Total)	35	1%	5	1%
CBB 2014/15 Total	4261	100%	437	100%

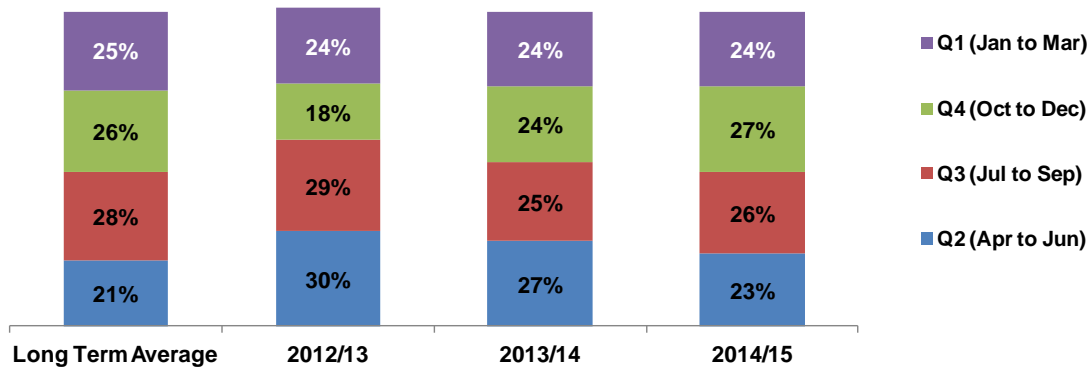
As can be seen above, the survey again achieved a good spread of responses from businesses across the five sub-areas and was broadly representative of the overall stock of tourism businesses across the CNP area.

Increasing by 8% compared to 2013/14, the overall sample of responses in 2014/15 is 437 (compared to 405 in 2013/14, 428 in 2012/13, 470 in 2011/12 and 395 in 2010/11).

KEY FINDINGS

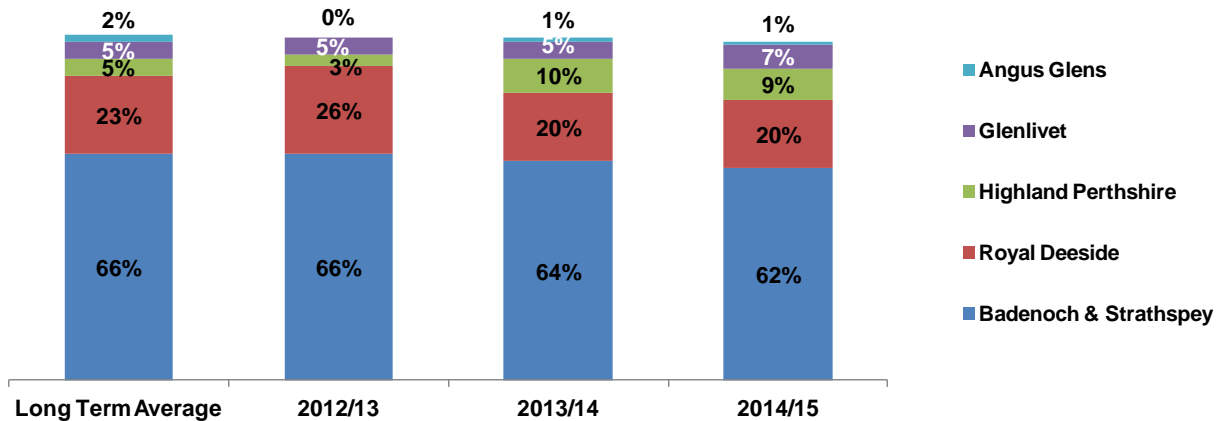
Sample

Quarter



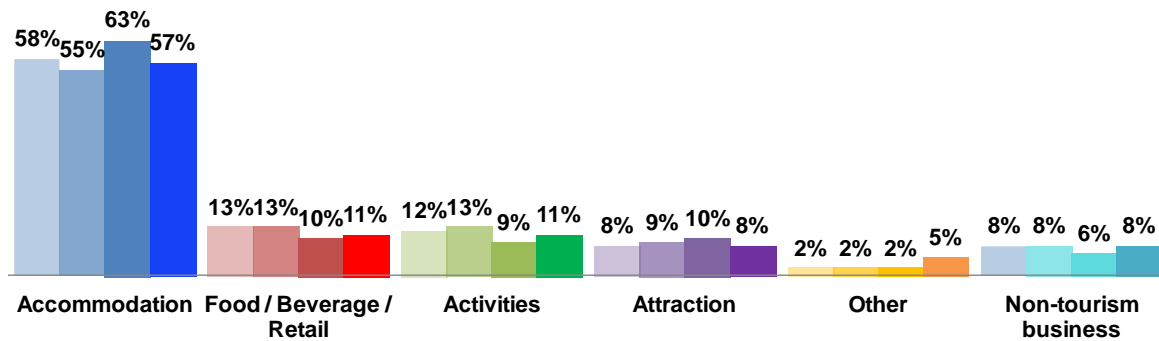
An even spread of responses was achieved across the four quarters of the year period. The highest sample was achieved in Q4 2014 (120 survey responses) whilst the lowest response was in Q2 2014 (101 responses).

Sub-area



The distribution of responses by business location is shown above. As can be seen, the majority of responses came from businesses in Badenoch & Strathspey, although compared to previous years a greater response from other areas of the Cairngorms was achieved.

Business sector



Note: Chart series left to right is: Long Term Average (lightest shading), 2012/13, 2013/13, 2014/15 (darkest shading)

Broadly on par with the long term average but below last year, 57% of responses came from accommodation providers. The next most common sectors were food / beverage / retail and activity operators, both accounting for 11% of responses. On par with the long term average, non-tourism businesses made up 8% of the sample in 2014/15.

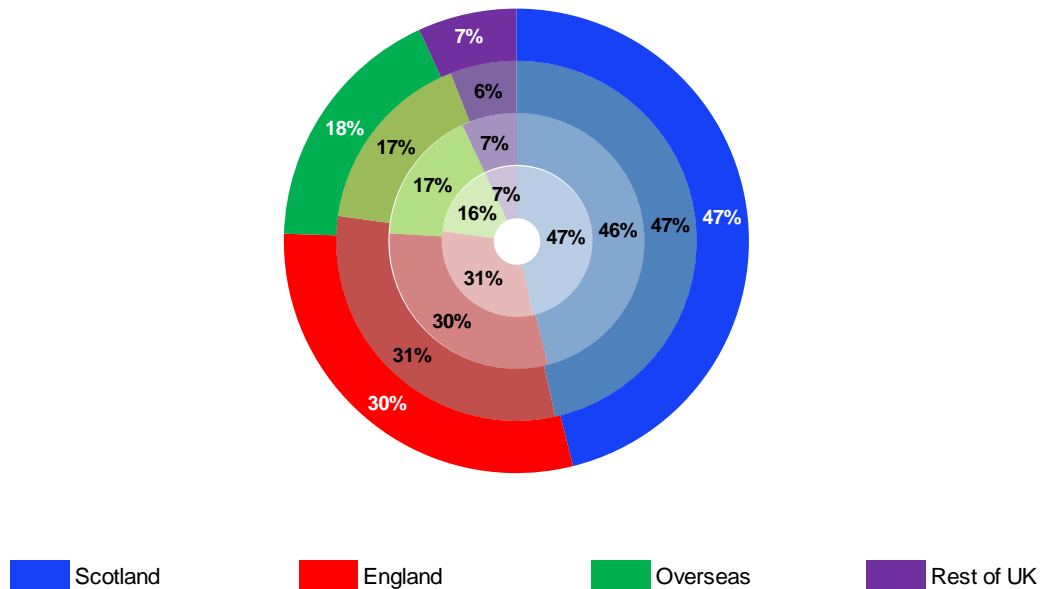
Looking at all responses since the survey began in Q3 2009, differences in the spread of businesses across the Park area are apparent: activity operators are more heavily concentrated in Badenoch & Strathspey whilst in Royal Deeside a disproportionately high number of retail and catering businesses are evident.

Repeating last year's trend, self-caterers were by far the most common type of accommodation provider: 53% of accommodation providers were self-caterers whilst only 28% were B&Bs (compared to 35% long term average B&B participation in the survey).

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: Long Term Average (lightest shading), 2012/13, 2013/13, 2014/15 (darkest shading)

Consistent with previous years, customers from Scotland accounted for just under half (47%) of all customers. Repeating the trend of previous years, there were notably higher levels of local trade in Q1 (January to March) and, in particular, in Q4 (October to December).

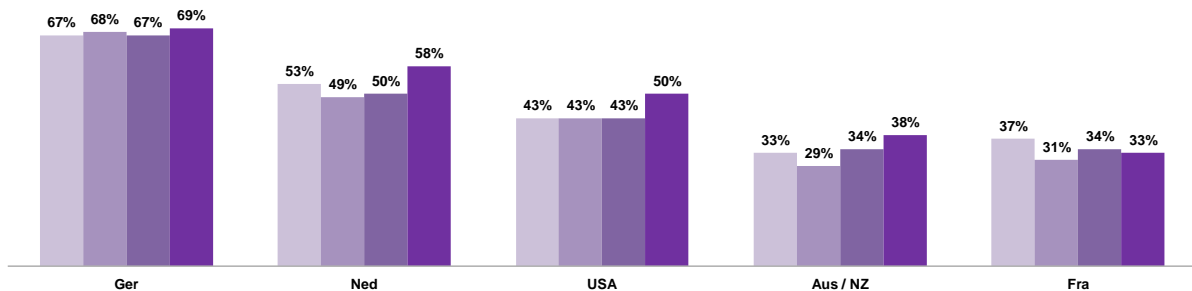
Again on par with previous years, visitors from England made up 30% of all customers. There were no significant seasonal variations in footfall which highlights the importance of this market due to their propensity to visit at all times of the year.

As in previous years, overseas visitors accounted for around a sixth of all customers in the Park area. In contrast to the Scotland customer results, significantly higher levels of overseas visitors were recorded during the middle quarters of the calendar year (i.e. Q2 (April to June) and Q3 (July to September)).



Note: Chart series left to right is: Long Term Average (lightest shading), 2012/13, 2013/13, 2014/15 (darkest shading)

The distribution of visitors from England reflected the long term trend: visitors from North England were most common (64% of businesses trading with visitors from England engaged with customers from the North of England) and the next most common segment was those from London / South East (49%).



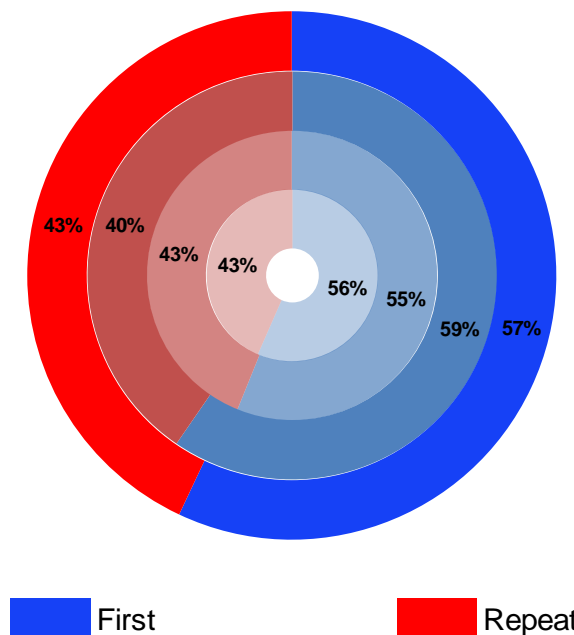
Germany was again identified as the key international market by businesses: nearly 70% of businesses that traded with overseas visitors engaged with German customers.

At its highest level since the survey began, the next most common overseas market was the Netherlands (58%) followed by the United States (50% – which also at a long term high).

Growth was also apparent among the fourth most common overseas market; namely, Australian and New Zealand visitors (33% long term average versus 38% in 2014/15).

Conversely, reductions in footfall over the years are evident for French (37% long term average versus 33% in 2014/15), Belgian (20% versus 16%), Italian (18% versus 13%) and, most notably, Spanish visitors (20% versus 13%).

Type of customers



Note: Chart series inner to outer is: Long Term Average (lightest shading), 2012/13, 2013/13, 2014/15 (darkest shading)

Broadly on par with the long term average, first time customers accounted for 57% of footfall during the year with the remainder (43%) made up of repeat customers.

As to be expected given the earlier observations on seasonal profile, more first time customers were recorded in the Park area in Q2 and Q3 compared to Q1 and Q4.

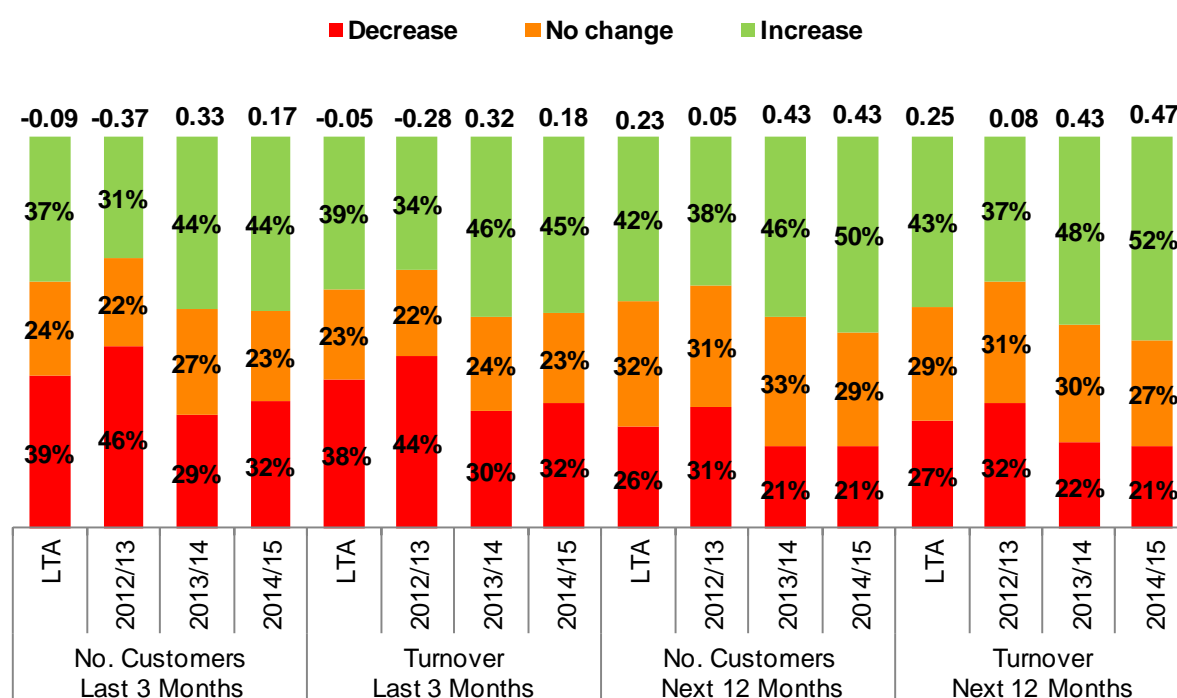
It was interesting to note again this year that accommodation providers were most likely to engage with first time customers – first time customers accounted for 62% of trade among these businesses – whilst the opposite was true for retail and catering businesses as first timers made up just 42% of trade.

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.

The chart below shows the results of 2014/15 compared to the last two years and the long term average (LTA). The results include weighted average scores – using a seven point scale from -3 to +3 – to summarise the overall trend. A weighted average score less than 0 implies a decrease in overall business levels and a weighted average score greater than 0 implies an increase in overall business levels.

Customer numbers and turnover



Businesses grew their customer numbers and turnover overall, albeit slightly, during the year. The 2014/15 results marked an improvement in business levels compared to the long term – as the long term average shows slightly declining levels of business – but slower growth compared to 2013/14.

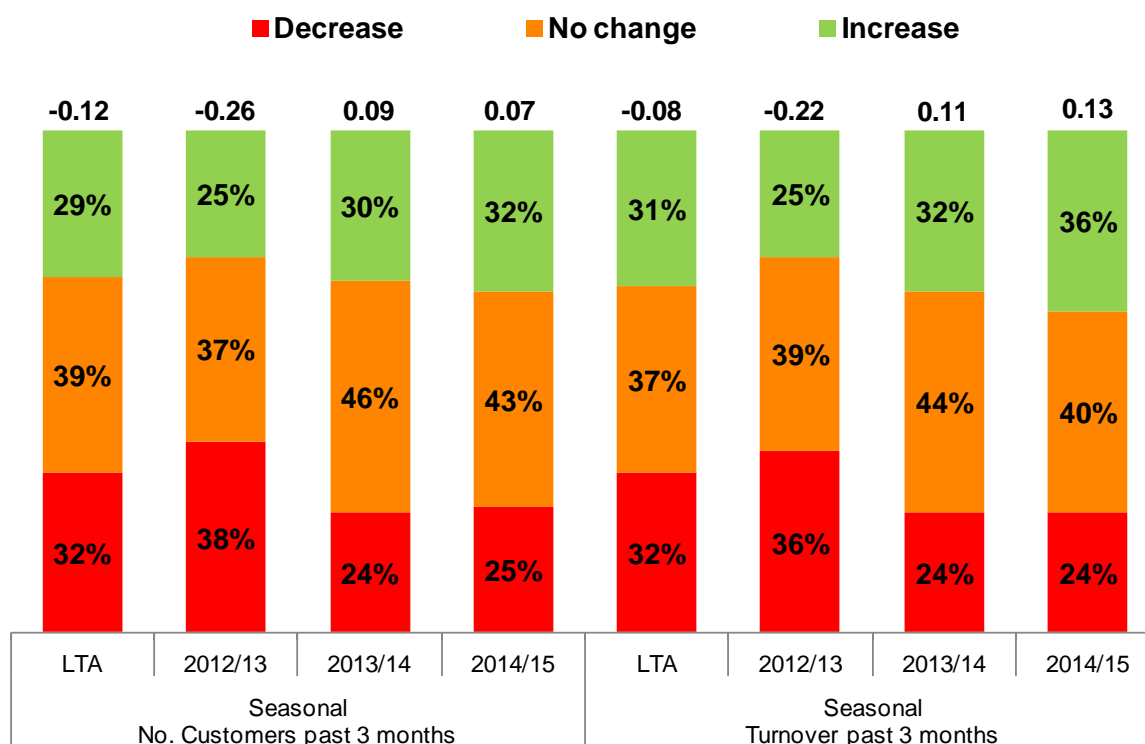
Following three successive quarters of growth, an overall decline in business levels was recorded in Q1 2015. In light of the changeable performance which suggests unsettled trading conditions, it is important to continue closely monitoring overall changes in levels of business in the future.

Repeating a trend observed in previous years, retail and catering businesses registered the poorest performance indicating an overall reduction in business levels whilst other businesses achieved increased trade.

Businesses generally expected to grow customer numbers and turnover over the next 12 months. This upbeat assessment of future performance was broadly similar to last year and well above previous years.

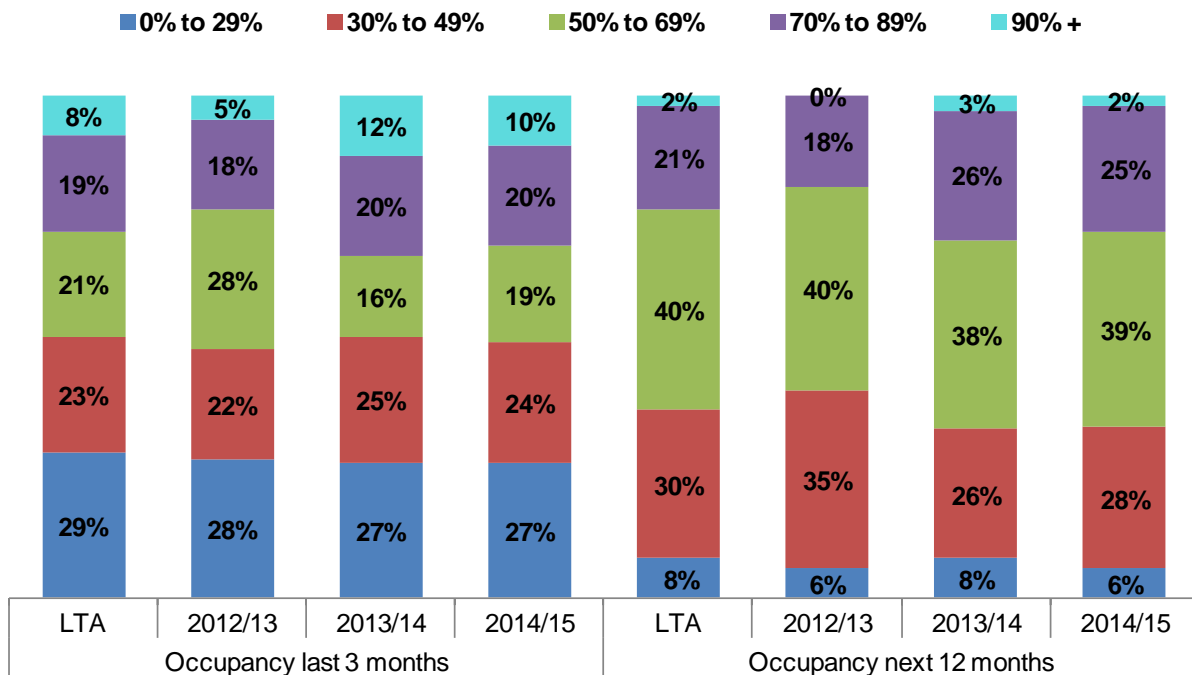
Again highlighting a comparatively challenging trading environment, retail and catering businesses were the least optimistic about future levels of business. That said, these businesses were more positive in their outlook in 2014/15 compared to the long term average.

Customer numbers and turnover – Seasonal periods



Looking specifically at the aggregated seasonal periods of May bank holidays, summer school holiday, Christmas and New Year and February half term school holiday, businesses reported generally slightly poorer performance compared to the year as a whole. This finding was a repeat of last year's trend and a reverse of the findings in 2012/13. Overall, businesses reported marginal growth in terms of customer numbers and turnover during these periods.

Occupancy



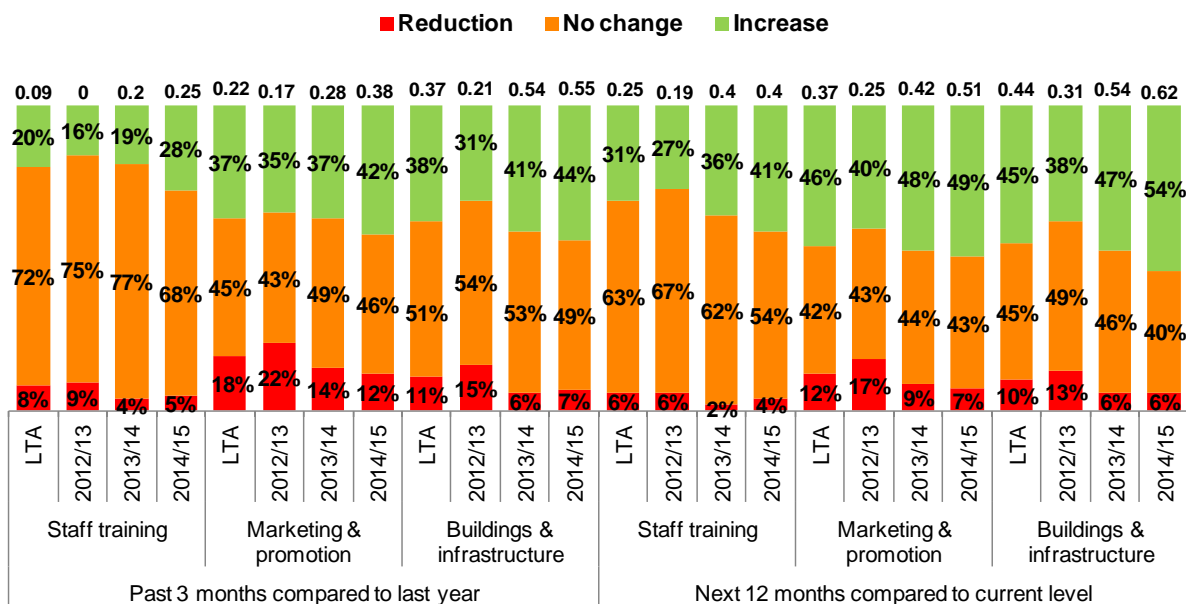
Accommodation providers achieved similar occupancy to last year with the average annual occupancy being just over 50%. This result marked a better performance compared to the long term average. As to be expected, occupancy was highest during the middle quarters of the year and lowest during Q1.

Businesses forecasted average occupancy of just under 60% for the next 12 months. In line with the achieved occupancy results, these expectations were broadly similar to last year and were more optimistic than in previous 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.

The chart below shows the results of 2014/15 compared to the last two years and the long term average (LTA). The results include weighted average scores – using a seven point scale from -3 to +3 – to summarise the overall trend. A weighted average score less than 0 implies a decrease in overall investment and a weighted average score greater than 0 implies an increase in overall investment.



Staff training

A steeper increase in staff training investment was apparent compared to the long term average and to a lesser extent last year. That said, a large majority of businesses neither increased nor decreased investment in this aspect so a relatively small overall increase in staff training investment was recorded.

As in previous years, retail and catering businesses tended to demonstrate a significantly lower propensity to invest in staff training compared to other types of businesses.

Consistent with actual staff training investment, businesses demonstrated above average intent to invest in staff training over the next 12 months. Similar to the 2013/14 results, around 40% of businesses thought that they would increase current levels of investment in this aspect. This result constituted a faster rate of change for the next 12 months compared to the actual rate of change in staff training investment.

Marketing and promotion

Marketing and promotion investment increased at its fastest annual level since the Barometer began with over 40% of businesses reporting increases in one or more of the four

quarters. In Q3 2014 and Q4 2014 businesses undertook notably higher levels of marketing and promotion compared to a year ago.

The highest annual increase was also recorded for anticipated levels of marketing and promotion investment. A faster rate of change in expected marketing investment was apparent compared to the actual change recorded during the year which suggests that investment in this aspect is likely to continue increasing in the future.

Buildings and infrastructure

Increasing the most out of the three aspects evaluated, the rate of change for buildings and infrastructure investment was again above the long term average but on par with last year.

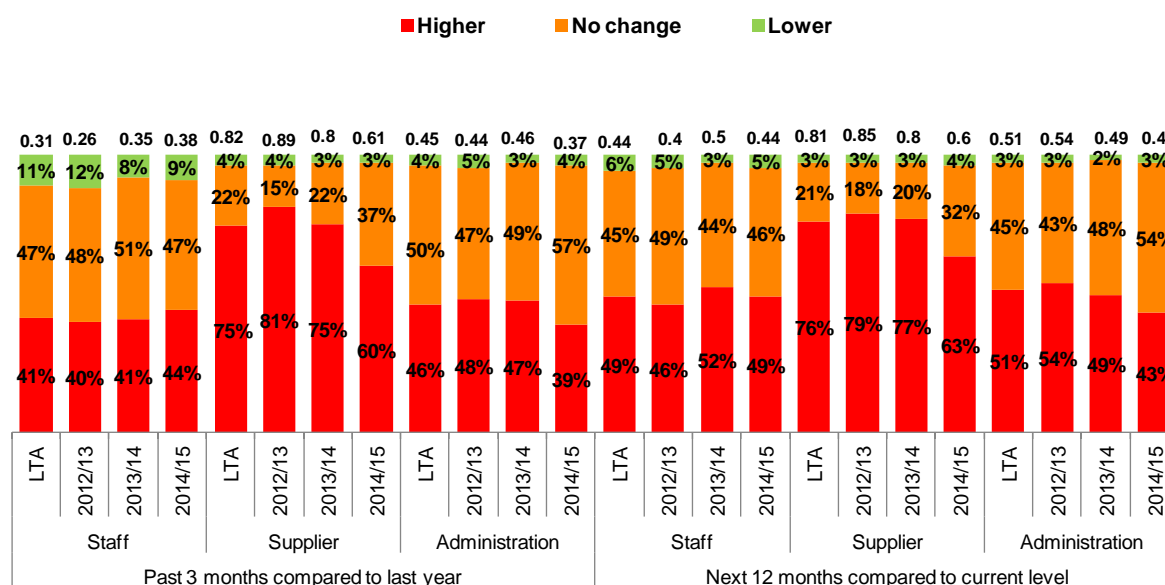
Interestingly, Q2 2014 saw the highest quarterly increase in infrastructure investment since the Barometer began: nearly 60% of businesses increased infrastructure investment during the quarter.

Looking to the next 12 months, businesses expected to increase their infrastructure investments at a slightly faster rate of change compared to the actual rate. This was the steepest annual expected rate of change recorded with nearly 55% of businesses anticipating increases in buildings and infrastructure investment during the year.

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.

The chart below shows the results of 2014/15 compared to the last two years and the long term average (LTA). The results include weighted average scores – using a seven point scale from -3 to +3 – to summarise the overall trend. A weighted average score less than 0 implies a decrease in overall costs and a weighted average score greater than 0 implies an increase in overall costs.



Staff costs

As in previous years, staff costs were perceived to have increased slightly year-on-year. The rate of change recorded this year was broadly on par with last year and was above previous years. Again as in previous years, staff costs increased the most during the middle quarters of the year.

Below the overall level recorded last year but above previous years' levels, staff costs were expected to increase in the year ahead. The forecasted rate of change in these costs was slightly faster than the actual rate of change which indicates that staff costs are expected to become more challenging in the future.

Supplier costs

As in previous years, supplier costs increased overall for businesses. However, a notably lower rate of change compared to previous years was apparent. This was most pronounced in Q1 2015 which registered the lowest ever year-on-year increase in supplier costs – a reflection of the low fuel prices at the time.

Constituting a marked change from previous years, businesses expected supplier costs to continue increasing at the same actual rate. Expectations of supplier cost increases were at their weakest ever levels in Q4 2014 and Q1 2015.

In line with previous years' observations, retail and catering businesses suffered from and forecasted comparatively steeper supplier cost increases compared to other types of businesses in the Cairngorms.

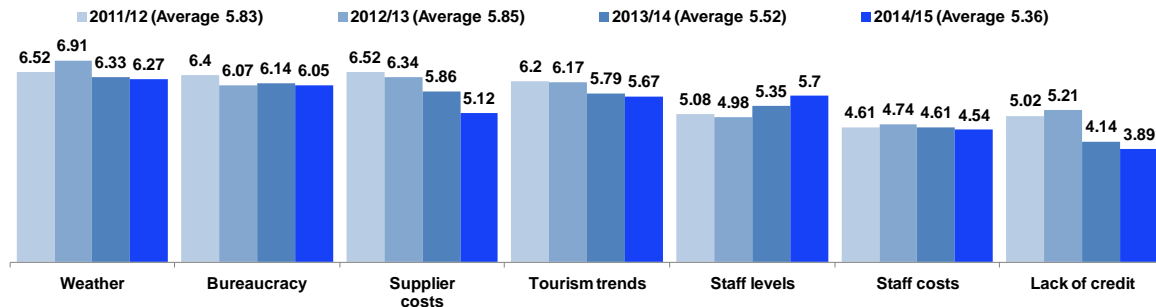
Administration costs

Increasing at a similar overall rate as staff costs, administration costs increased for around 40% of businesses during the period. These results signalled a less steep increase in administration costs compared to previous years. The overall annual result was heavily influenced by Q4 2014 and Q1 2015 results which recorded the lowest ever increases in administration costs.

A broadly similar rate of increase in administration costs was expected in the year ahead compared to the actual rate. In line with the actual trend, expectations of administration cost increases were weaker than in previous years with businesses in Q4 2014 and Q1 2015 forecasting particularly low increases in administration costs.

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'.



Potential barriers to growth were rated at their lowest ever overall level: an average annual barrier to growth score of 5.36 was achieved for the seven aspects compared to 5.52 last year and a long term average score of 5.62.

As has been the trend in recent years, the most formidable barrier to growth was weather rated at 6.27 which was similar to last year but well below 2011/12 and 2012/13 levels. Like last year, the second most challenging issue for businesses was bureaucracy rated at 6.05.

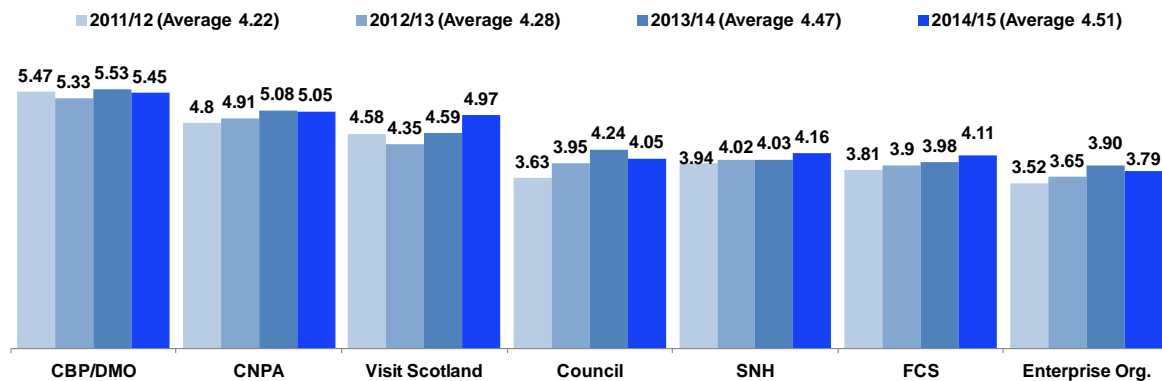
All barriers with the exception of staff levels / availability were rated below the 2013/14 level which indicates that businesses generally found the trading environment easier than last year (and, indeed, the previous years).

Whilst overall perceptions of barriers were quite positive, as noted above, an increased barrier score for staff levels / availability was apparent. This aspect was rated at its highest ever level of 5.70 and was the third most significant barrier to growth during the year.

Unsurprisingly, the greatest improvement for the barriers evaluated was for supplier costs which fell to its lowest ever annual barrier to growth score of 5.12.

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 overall contribution of organisations playing a role in tourism across the Cairngorms area was rated at its highest ever level at 4.51 (although this was just slightly above last year's previous high score of 4.47).

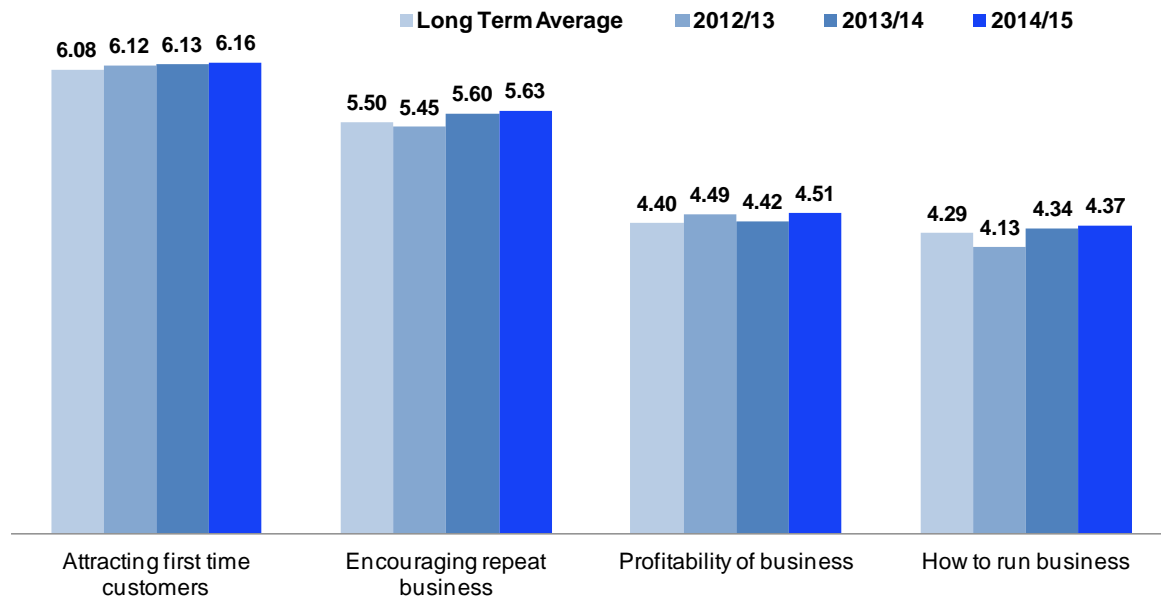
As in previous years, the level of support and contribution provided by CBP / DMOs was rated most positively of the seven organisations evaluated (5.45). Again repeating the trend of previous years, the second most valued organisation was CNPA rated at 5.05.

The steepest change in perception from last year was for VisitScotland which achieved its highest ever contribution score of 4.97, some 8% higher than the previous high set last year.

The role of Councils and Enterprise Organisations were again rated least positively. These two organisations also recorded the largest fall in support from last year: 5% and 3%, respectively. That said, recognition of the contribution of these organisation was above the long term average in 2014/15.

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.

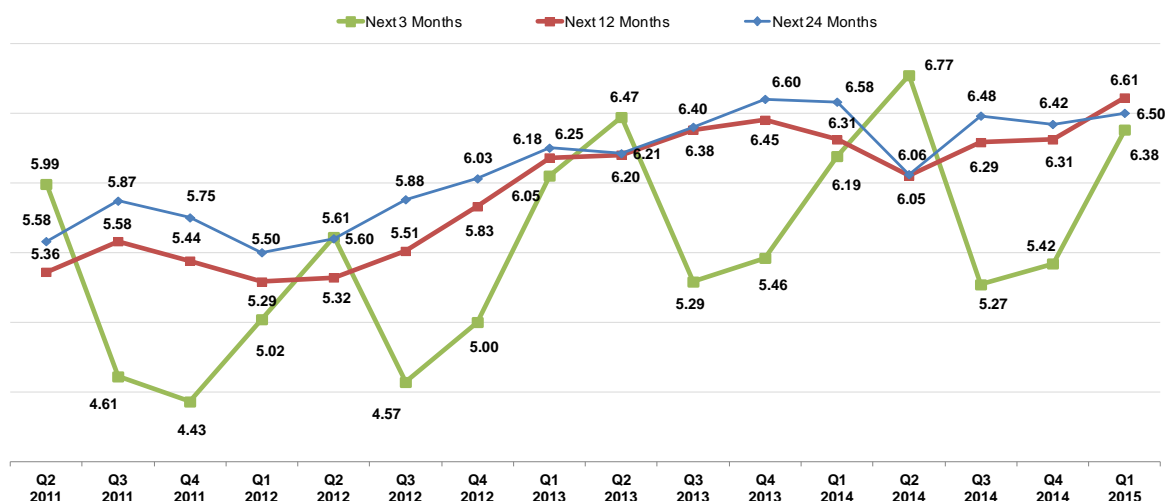


Perceptions of the role of the National Park in attracting first and repeat customers were broadly on par with recent years as the Park was considered to have a moderate (rather than low or high) influence on these aspects. Businesses again attributed greater importance on the Park's ability to bring in new (i.e. first time) customers compared to repeat customers.

As in previous years, the influence of the Park on business operations and business profitability was rated fairly low as around a half of businesses rated these aspects at less than 5 out of 10. That said, the scores attributed to these aspects were at their highest ever levels (albeit only slightly) which highlights increasing recognition of the importance of the National Park for ongoing business success.

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	Long Term Average	2012/13	2013/14	2014/15
Next 3 Months	5.47	5.31	5.87	5.92
Next 12 Months	5.94	5.67	6.33	6.32
Next 24 Months	6.12	5.91	6.44	6.37

Short term – next 3 months – business confidence was rated at 5.92 which was the highest ever annual level (albeit only slightly above last year's level). Q2 2014 saw the highest ever quarterly short term confidence score of 6.77 which was likely a reflection of positive anticipation of the impact of the Commonwealth Games and the Ryder Cup which took place in Q3 2014.

Confidence in the medium term – next 12 months – was on par with last year but was well above the long term average (6.32 vs. 5.94). After a drop in Q2 2014, 2014/15 saw successive increases in medium term confidence after with Q1 2015 recording the second highest medium term confidence score of 6.61. A factor impacting on the stalling medium and long term confidence in Q2 2014 (i.e. in July 2014) may have been the Scottish Referendum as businesses demonstrated uncertainty regarding the longer term future?

Looking further out to the next two years, long term confidence was rated at 6.37 which although below last year (6.44) was well above previous years and, hence, the long term average.

Consistent with observations elsewhere in the survey, retail and catering businesses were least confident about the future: they typically attributed medium and long term confidence scores which were 10% or more below that of other tourism businesses. Activity operators also demonstrated below average levels of confidence for the medium and long term which highlights that these businesses feel less secure about the future compared to accommodation providers, attractions and other tourism businesses.

CONCLUSIONS

The results of the Barometer along with feedback through the Cairngorms Economic Forum and other sources enable CBP to closely monitor the delivery and impact of the Cairngorms Economic Strategy. Progress can continue to be scrutinised through the Barometer to ensure that key priority themes, such as supporting and attracting business and growing tourism sectors, are delivered.

It is pleasing to report that business performance and sentiment trends in 2014/15 were commonly on par with 2013/14 – a year which marked a significant improvement in business confidence compared to previous years.

For the second successive year business levels grew overall in the Cairngorms. Levels of business, however, remain below those of pre-2010 following three successive years of decline between 2010/11 and 2012/13. It is, therefore, important that growth continues in the forthcoming 2015/16 period to enable ongoing business recovery to pre-recession levels.

It will be particularly interesting to monitor performance in Q2 2015, as the results of Q1 2015 showed declining levels of business. It is apparent that the first quarter of the year is the most challenging quarter for businesses in the Park area. This finding points to a need for CBP and their partners to offer increased support for businesses and to undertake additional promotional and marketing activities. Developing themed campaigns to attract more visitors from Scotland to the area – as this market has consistently been identified as a key segment during the Q1 period – and encouraging businesses to engage with the campaign as much as possible could be one such initiative to drive new footfall into the Park and augment business levels during this challenging period.

One of the most remarkable findings during the year (or, more accurately, the last two quarters) has been the improving situation of supplier costs. In Q1 2015 supplier costs were considered to be *only* the fifth most challenging barrier to growth, meanwhile in 2011/12 they were perceived to be *the* most challenging barrier to growth in the Cairngorms.

Barriers to growth were rated at their lowest overall level since the survey began in 2009. Whilst this result was influenced by the slowing of supplier costs, it is encouraging to note that other traditionally significant factors, such as tourism trends and bureaucracy, also fell during the year. A perception of fewer and/or less significant barriers bode positively for business performance in future quarters.

However, staffing challenges have increased. In fact, repeating the trend observed last year, staff levels / availability was the only barrier to increase during the year. The research, suggests a need for CBP and their partners to continue providing support and assistance, where possible, for businesses to attract and retain staff.

Whilst only modestly above last year, there was more positive recognition overall of the seven organisations playing a role in tourism development in the Cairngorms. In particular, the perceived contribution of VisitScotland was circa 10% higher than last year (the previous record). This result, in part, is likely to be a reflection of the recent VisitScotland Growth Fund award secured by CBP which helped to support increased marketing and promotion of the Cairngorms.

The period finished in Q1 2015 with medium term confidence at an all time high of 6.61 and whilst the longer term level was not at the highest ever level it was still significantly above the long term average (6.50 vs. 6.12). These two findings combine to suggest that

businesses are in better situation than in the past (going back to Q3 2009). There is a sense that the improved prospects are encouraging more investments. This is particularly evident in buildings and infrastructure future investment intent which increased at its fastest ever annual rate. Increasing investments infrastructure is critically important to refresh and rejuvenate the tourism offer in the Cairngorms and, hence, drive up footfall so it will be interesting to see if this proposed investment activity materialises in the coming quarters.