

CAIRNGORMS BUSINESS BAROMETER 2016-17

ANNUAL SUMMARY REPORT

Prepared for: **CAIRNGORMS BUSINESS PARTNERSHIP**

Prepared in: **JUNE 2017**

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Contents

Executive Summary	3
Introduction	4
Methodology	4
Sample	5
Key Findings	6
Sample	6
Customer Profile.....	8
Business Levels	11
Levels of Investment.....	13
Costs	15
Barriers to growth	16
External Support.....	17
Influence of Cairngorms National Park	18
Business Confidence.....	19
Conclusions	20

EXECUTIVE SUMMARY

The key headline findings of the 2016/17 annual Cairngorms Business Barometer results are as follows:

Customer Profile	<ul style="list-style-type: none"> - A similar visitor profile was recorded compared to previous years. The spread was as follows: Scotland (45%), England (28%), Overseas (19%) and Rest of UK (6%). - Just over half (53%) of all businesses indicated they are trading with 1st time customers / visitors.
Business Levels	<ul style="list-style-type: none"> - An overall increase in customer numbers and turnover compared to last year (2015/16) was apparent. - Businesses in Badenoch and Strathspey have helped to propel this growth. - An outlook of higher growth in the next 12 months compared to 2015/16 was also evident.
Levels of Investment	<ul style="list-style-type: none"> - There was significant increased investment in staff training, marketing / promotion and buildings / infrastructure compared to last year. - Against the long term trend, all sectors increased their investment in staff training.
Costs	<ul style="list-style-type: none"> - The National Living Wage has impacted on business costs. - Staff costs were at their highest ever levels. 50% of all businesses indicated they had higher staff costs rising to as much as 55% among accommodation providers.
Barriers to Growth	<ul style="list-style-type: none"> - The annual barrier to growth score was at a record low. - For the first time in six years weather was <u>not</u> perceived to be the greatest barrier to growth, instead bureaucracy was.
External Support	<ul style="list-style-type: none"> - As in previous years, the CBP / DMO was rated most positively whereas the opposite was true for the Enterprise Organisations.
Influence of Cairngorms National Park	<ul style="list-style-type: none"> - Nearly 6 out of 10 businesses feel the National Park designation has a high influence in attracting first time customers.
Business Confidence	<ul style="list-style-type: none"> - Short term confidence was at an all-time high. - Medium and long term business confidence (i.e. for the next 12 months and next 24 months) were rated above long term averages but below 2015/16.

INTRODUCTION

The Cairngorms Business Barometer (or the Barometer) has captured business performance and sentiment insights from predominantly 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 enables important monitoring of business performance and sentiment in the Cairngorms area.

The Barometer study in 2016/17 was undertaken again by LJ Research and was commissioned by Cairngorms Business Partnership (CBP) following support provided by Cairngorms National Park Authority (CNPA).

Insights from the survey inform activities and priorities for 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 – 2016 and Q1 – January to March – 2017, inclusive) and includes discussion of the results compared to previous annual results to enable an understanding of key changes over time.

Additional insights relating to specific business sectors and sub-areas of the Park are also included to assist CBP and their partners identify and act upon the threats and opportunities facing different types of businesses in different areas of the Cairngorms area.

METHODOLOGY

The methodology used in the 2016/17 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 & 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 to business contacts in each of these five sub-areas.

Reminder emails were 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 2016	554	70%	65	71%
Royal Deeside Q2 2016	137	17%	19	21%
Highland Perthshire Q2 2016	57	7%	3	3%
Glenlivet Q2 2016	41	5%	5	5%
Angus Glens Q2 2016	3	< 1%	0	0%
Q2 2016 (Total)	792	100%	92	100%
Badenoch & Strathspey Q3 2016	557	70%	53	65%
Royal Deeside Q3 2016	138	17%	16	20%
Highland Perthshire Q3 2016	55	7%	4	5%
Glenlivet Q3 2016	42	5%	8	10%
Angus Glens Q3 2016	3	< 1%	0	0%
Q3 2016 (Total)	795	100%	81	100%
Badenoch & Strathspey Q4 2016	551	70%	68	75%
Royal Deeside Q4 2016	140	18%	16	18%
Highland Perthshire Q4 2016	54	7%	3	3%
Glenlivet Q4 2016	41	5%	4	4%
Angus Glens Q4 2016	2	< 1%	0	0%
Q4 2016 (Total)	788	100%	91	100%
Badenoch & Strathspey Q1 2017	540	69%	66	72%
Royal Deeside Q1 2017	141	18%	18	20%
Highland Perthshire Q1 2017	54	7%	4	4%
Glenlivet Q1 2017	43	6%	4	4%
Angus Glens Q1 2017	2	< 1%	0	0%
Q1 2017 (Total)	780	100%	92	100%
Badenoch & Strathspey (Total)	2202	70%	252	71%
Royal Deeside (Total)	556	18%	69	19%
Highland Perthshire (Total)	220	7%	14	4%
Glenlivet (Total)	167	5%	21	6%
Angus Glens (Total)	10	< 1%	0	0%
CBB 2016/17 Total	3155	100%	356	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.

The overall response rate was just over 11%² which was on par with the last two years. The total number of completions did however continue to decrease from 437 in 2014/15 to 386 in 2015/16 to 356 in 2016/17.

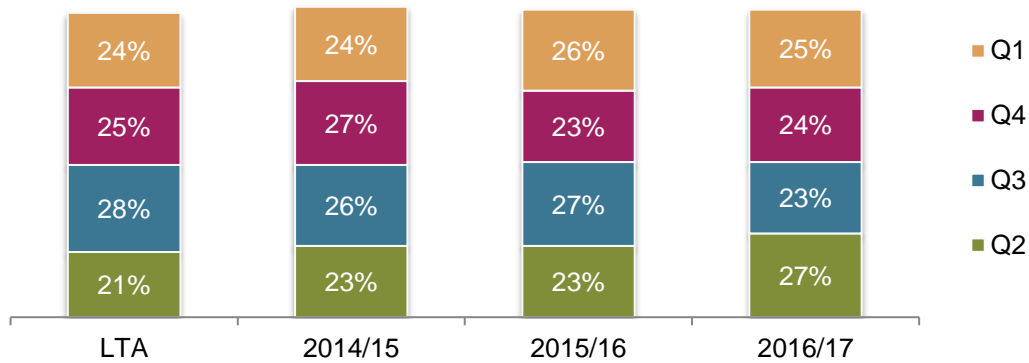
² Please note RR has remained the same because number of total e-mails going out has gone down over the years.

KEY FINDINGS

The following sections present the key findings from the aggregated quarterly Cairngorms Business Barometers. The findings are presented with annual comparator figures as well as the long term average (LTA), which is based on the aggregate quarterly figures starting in Q3 2009 until Q1 2017.

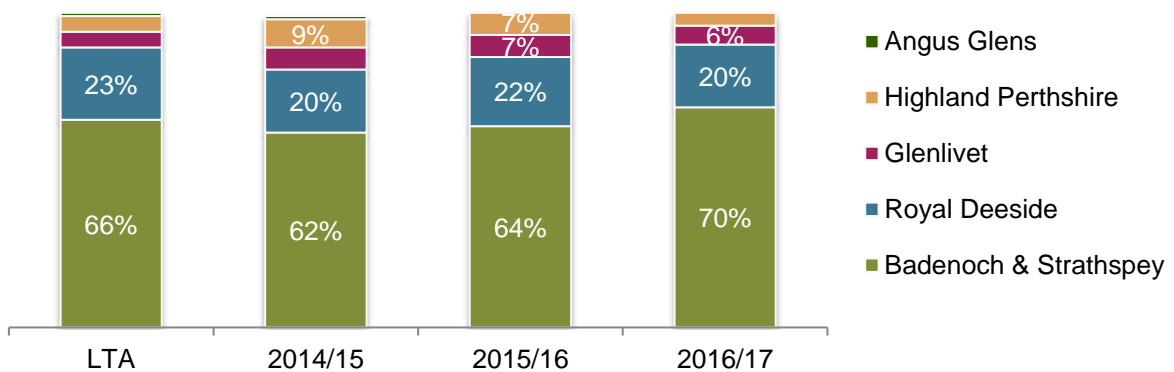
Sample Composition

Quarter



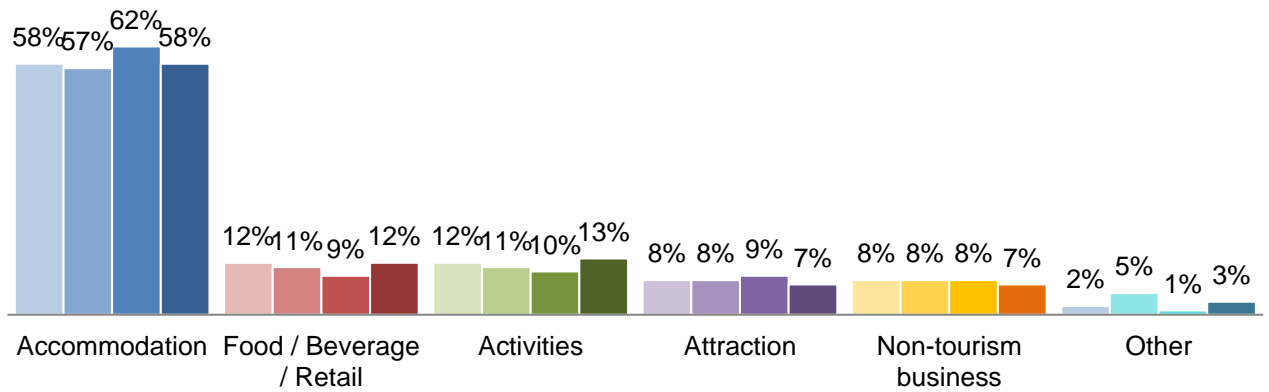
An even spread of responses was achieved across the four quarters of the year. This enables a representative understanding of overall performance and sentiment during each year period.

Sub-Area



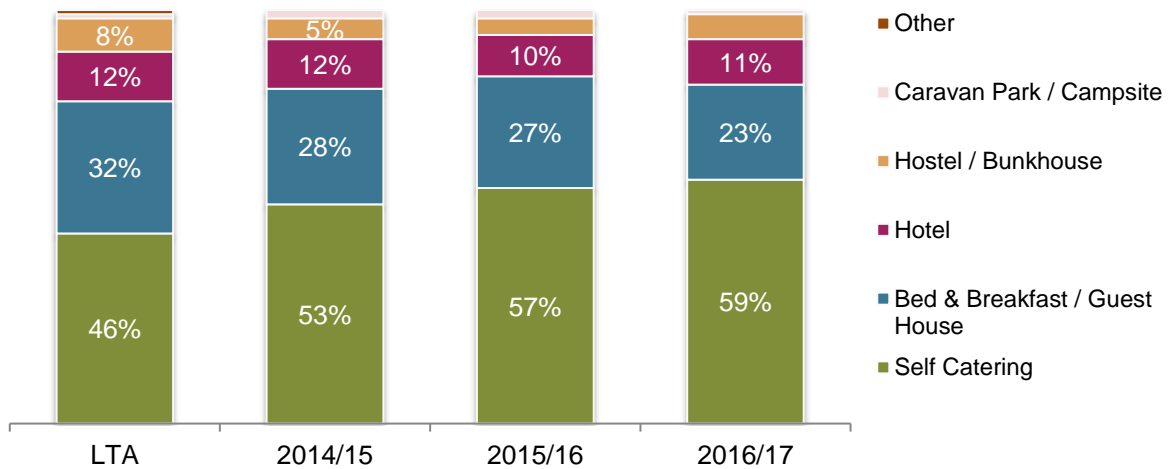
The distribution of responses by business location is shown above. As can be seen, the majority of responses came from businesses located in Badenoch & Strathspey. As in previous years, no responses were achieved from businesses within the Angus Glens sub-area.

Business Sector



Note: Chart series left to right is: Long term average (lightest shading), 2014/15, 2015/16, 2016/17 (darkest shading).

At 58%, the largest proportion of responses came from accommodation providers in 2016/17 which was on par with the long term average (LTA). The other sectors also continued to be represented in line with the LTA.

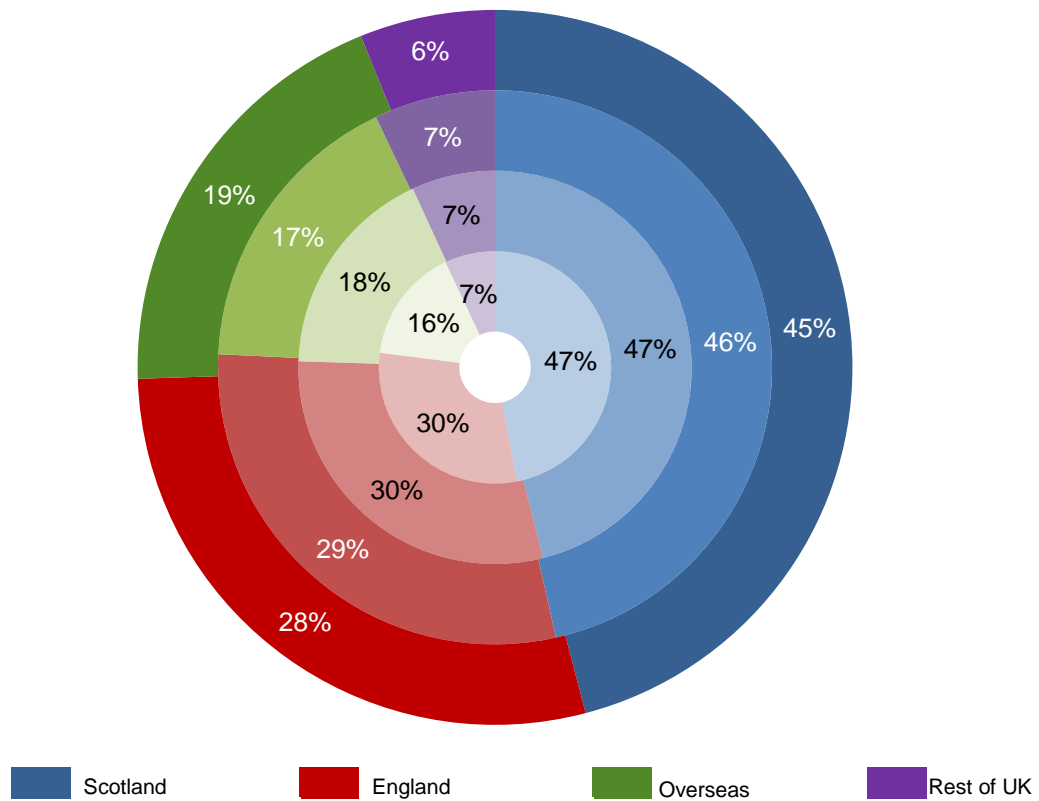


Continuing the trend of recent years, there was an increase in the proportion of self-catering properties comprising the accommodation sector whilst the opposite was observed for Bed & Breakfast / Guest House.

Customer Profile

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

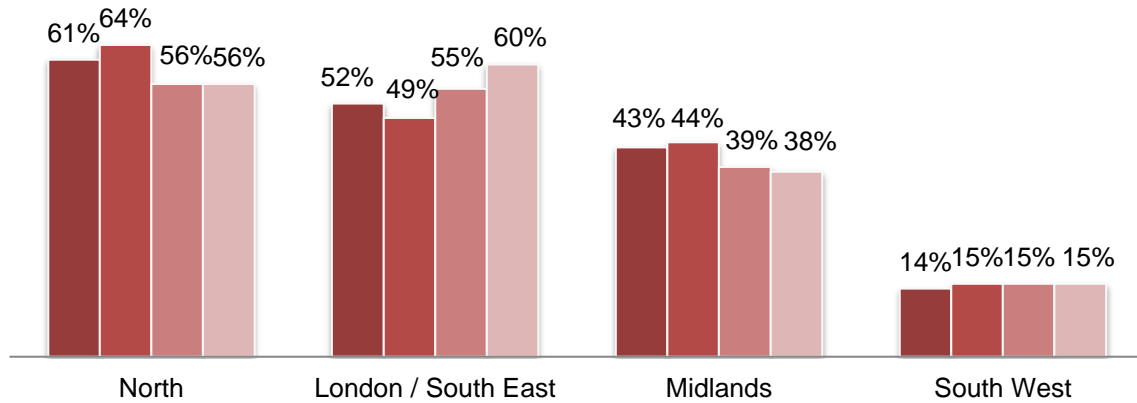
Origin of customers



Note: Chart series inner to outer: Long term average (lightest shading), 2014/15, 2015/16, 2016/17 (darkest shading).

Broadly speaking, the customer profile remained stable with customers from Scotland continuing to represent nearly half of the customer base (45%) and those from England making up around 30% of all customers.

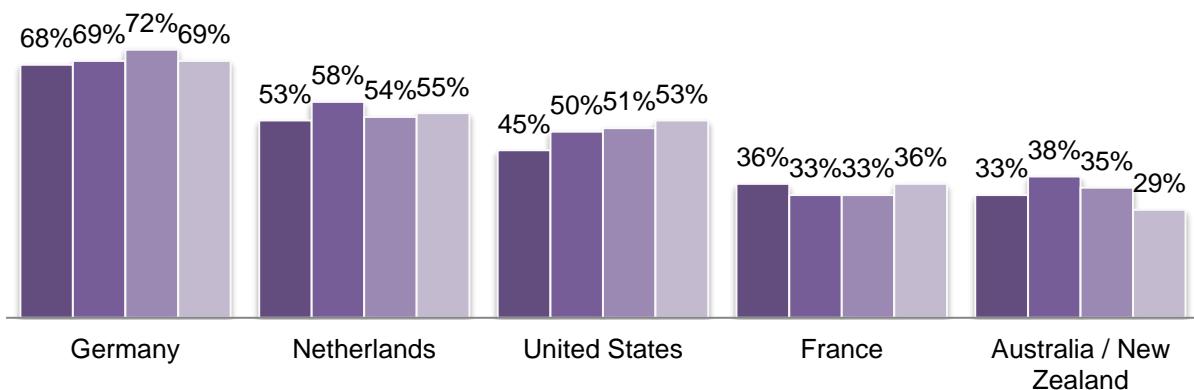
Businesses located outside the Badenoch and Strathspey (B&S) area have a higher reliance on overseas markets (20% LTA vs. 15% LTA in B&S) or, put differently, less reliance on domestic visitors. The trend was particularly evident this year as 23% of all businesses located outside the B&S area traded with customers from Overseas compared to 17% in B&S.



Note: Chart series left to right is: Long term average (darkest shading), 2014/15, 2015/16, 2016/17 (lightest shading).

A continued trend of increased visitor traffic from London and the South East was noted in 2016/17 with 60% of businesses who traded with visitors from England indicating they were from London and the South East.

There was evidence to suggest that the recent growth fund campaign helped to support this growth as an even higher proportion (62%) of these visitors was recorded among B&S based businesses.³



Germany was again identified as the key international source market: roughly 7 out of 10 businesses that traded with overseas visitors engaged with German customers.

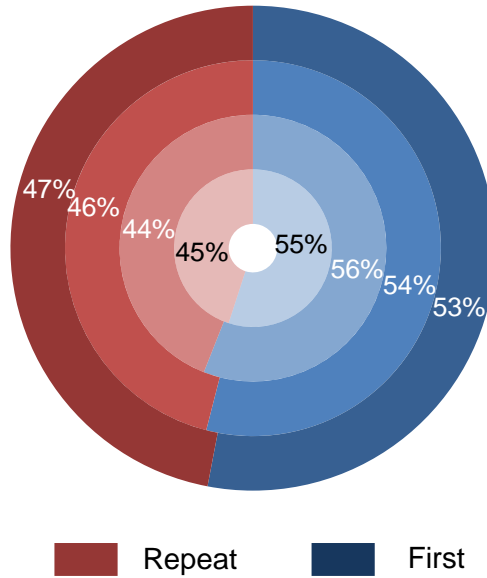
The next most common overseas market was The Netherlands (55%) followed by the United States (53%). A rise in visitors from the United States, reflected a broader national trend of visitors from North America to Scotland as a whole.⁴

However, there was a year-on-year decline in customers from Australia and New Zealand. As a result the proportion of these visitors to the Park in 2016/17 was below the LTA.

³ CBP ran the campaign in partnership with Caledonian Sleeper and VisitScotland using VisitCairngorms online platforms aimed at curious and adventurous travellers from London and the South East which ran until then end of March 2017.

⁴ <http://www.bbc.co.uk/news/uk-scotland-scotland-business-39964683>

Type of customer



Note: Chart series inner to outer: Long term average (lightest shading), 2014/15, 2015/16, 2016/17 (darkest shading).

The share of first and repeat visitors to the Park area was similar to previous years with first time visitors continuing to slightly outnumber repeat visitors.

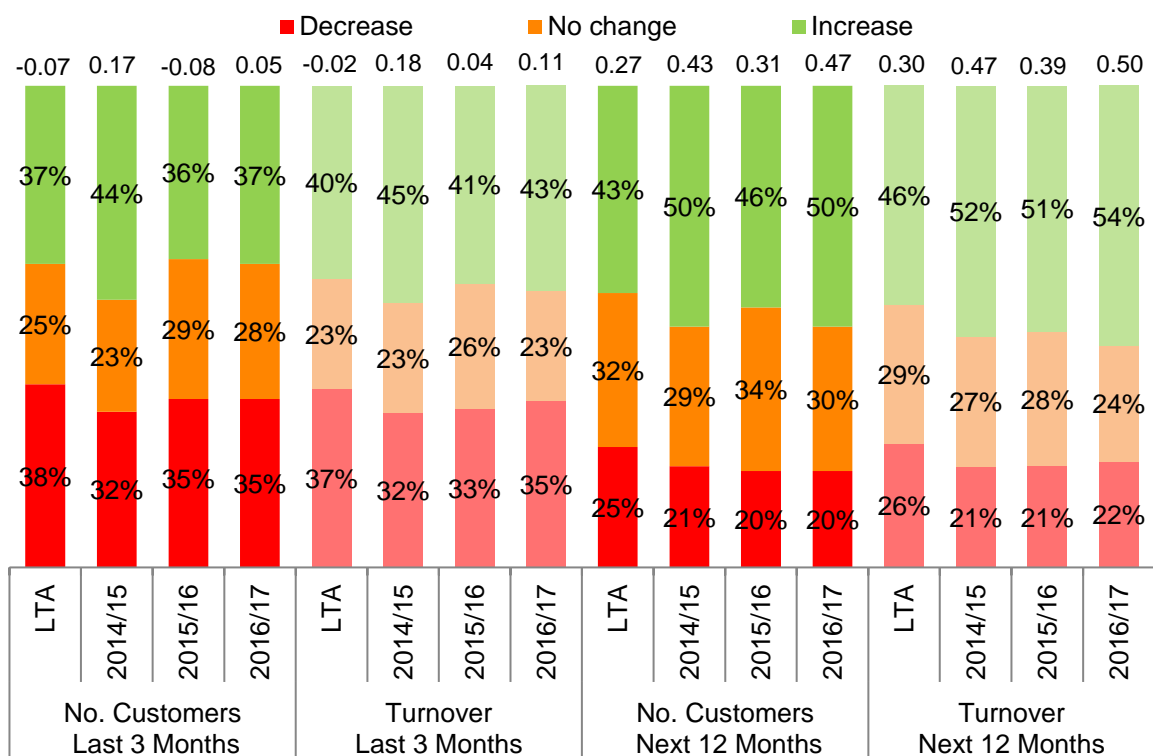
The highest proportion of new, first time customers was evident among accommodation providers. This finding highlights the important role accommodation providers’ play in providing information to visitors who are not familiar with the Park.

Business Levels

Customer numbers and turnover

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 2016/17 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 score greater than 0 implies an increase in overall business levels.



At first glance, the customer performance for 2016/17 looks broadly on par with last year and the LTA. However the proportion of businesses who indicated an increase of 11% or more was higher than in previous years resulting in a slight increase in customer numbers for the 2016/17 year.

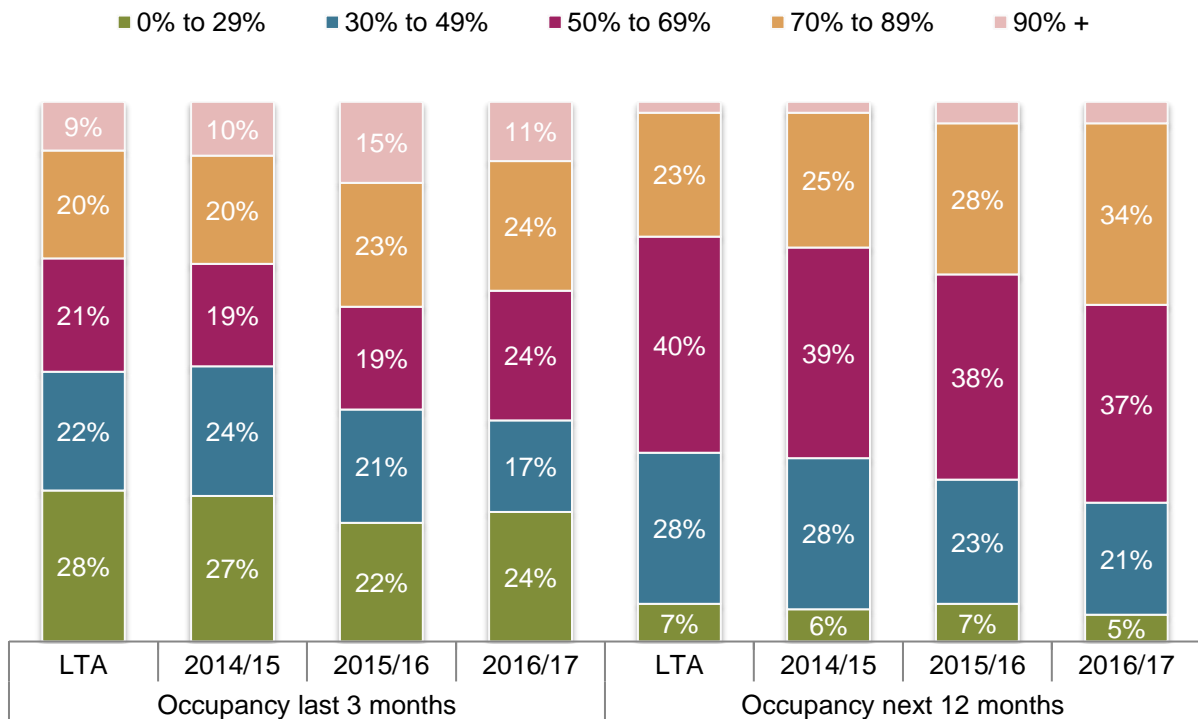
In line with the historical trend, the increase in customer numbers continued to be propelled by the Badenoch and Strathspey area. In 2016/17, 43% of businesses indicated their customer numbers increased compared to only 23% out with the area. The majority of the food and beverage sector in the Park, however, continued to report decreases in their customer numbers (52% in 2016/17 and 54% LTA).

Looking ahead, half of all businesses anticipated an increase in customer numbers within the next 12 months. This outlook was much more positive than last year and was well above the LTA.

The increased customer numbers in 2016/17 translated into increased revenue performance with 43% of businesses indicating an increase in achieved turnover. A similar regional trend as with customer numbers was observed for turnover performance; the Badenoch and Strathspey area of the Park increased their turnover, whereas the other areas (combined) decreased their turnover.

A similar picture to customer numbers was evident to turnover for performance over the next twelve months as over half of businesses (54%) indicated an anticipated increase in revenue.

Occupancy



Following the highest annual average occupancy rates on record last year, the 2016/17 occupancy performance dropped slightly, but was above that of two years ago as well as the LTA.

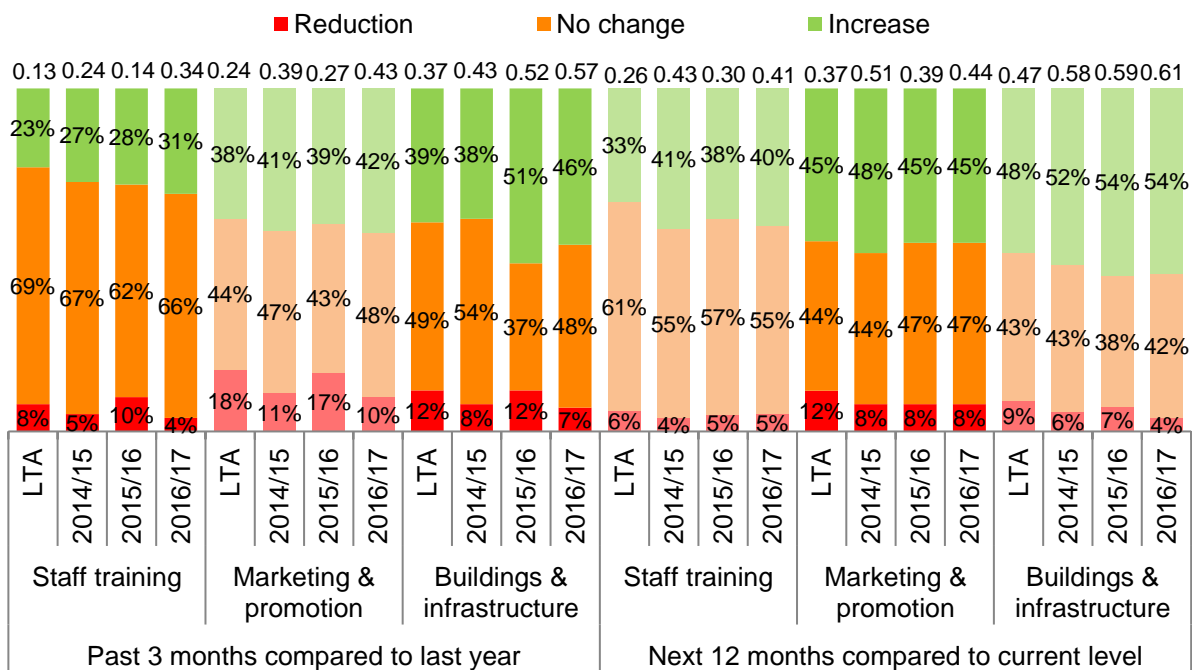
Accommodation providers in Badenoch and Strathspey enjoyed higher occupancy than those elsewhere in the Park.

A continuing trend of more optimistic occupancy expectations for the year ahead was observed in 2016/17 as average occupancy in the next 12 months was predicted to exceed the 60% mark.

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 levels of investment in these areas over the next 12 months.

The investment questions have been input into the 2016/17 year on a rotational basis in an effort to reduce the length of the survey. The chart below therefore shows the results of Q3 and Q1 compared to the like for like period of 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 score greater than 0 implies an increase in overall investment.



Staff training

As in previous years, the vast majority of businesses (66%) neither increased nor decreased investment in staff training. That said, a steeper rate of change was observed compared to the last two years and the LTA with 31% of businesses indicating an overall increase of investment.

Historically, fewer businesses in the accommodation sector and more businesses in other sectors have tended to increase (rather than decrease) their staff training. However, 2016/17 saw all sectors increase their investments in staff training albeit at a low overall level.

Consistent with the staff training investment undertaken, businesses demonstrated above average intent to increase staff training investment over the next twelve months. On par with last year's results, roughly 40% of businesses thought they would increase investment in this aspect.

Marketing and promotion

An overall increase in marketing and promotion investment was observed as more businesses intended to increase their investments (42%) rather than decrease investment (10%) in this aspect. The rate of increase was well above recent years' results as well as the long term average.

Similar levels of marketing and promotion investments were made across the different Park areas and across the different business sectors.

In line with marketing and promotion investment undertaken, there was positive intent to continue investing more in marketing and promotion over the next 12 months. The rate of change was broadly on par with that of the LTA and last year, but below that of two years ago.

Buildings and infrastructure

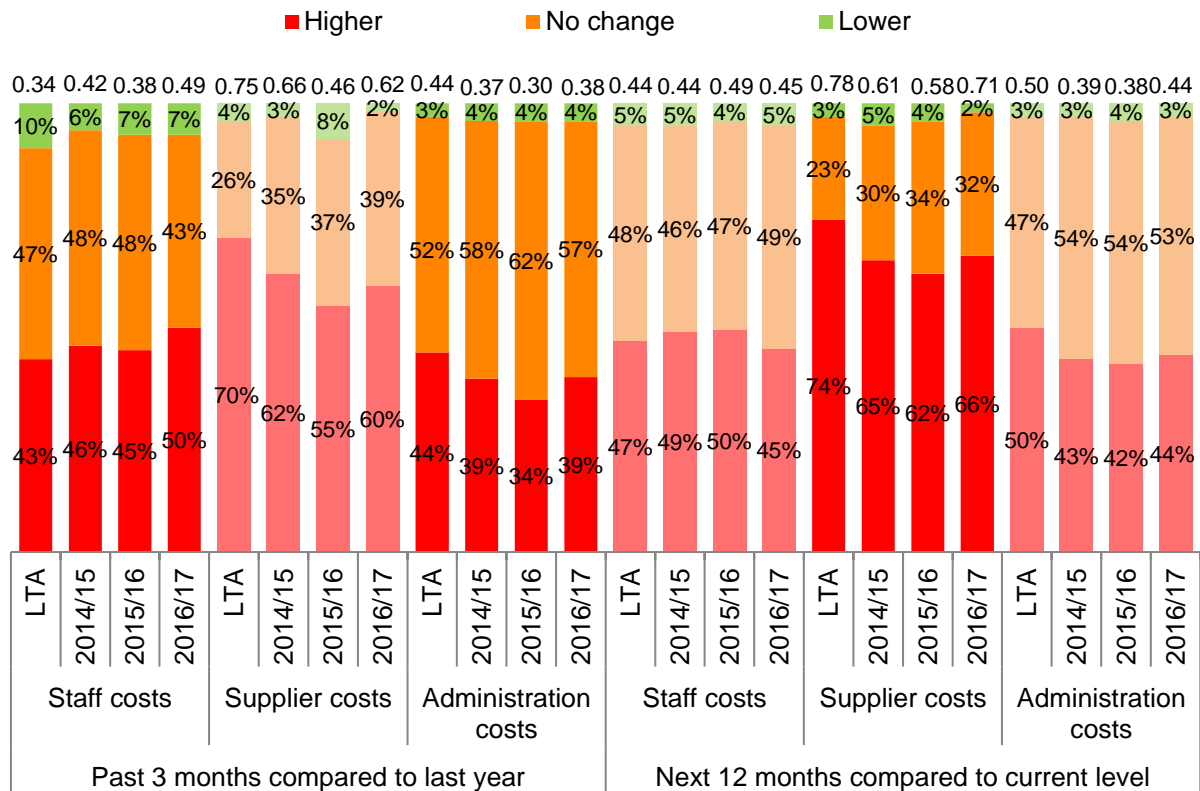
Nearly half of all businesses (46%) indicated they had increased their investment in buildings and infrastructure in 2016/17 compared to the year before. Increased infrastructure investment was most prevalent in the accommodation sector with 52% indicating an increase. The rate of change was above last year and well above the LTA.

Looking to the next 12 months, businesses intended to increase their infrastructure investments at a faster rate of change compared to the actual rate. This was broadly on par with findings from last year. Businesses in Badenoch and Strathspey indicated a higher chance of increasing their investments in buildings and infrastructure in the next 12 months.

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 cost questions have been input into the 2016/17 year on a rotational basis in an effort to reduce the length of the survey. The chart below therefore shows the results of Q2 and Q4 compared to the like for like period of 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 score greater than 0 implies an increase in overall costs.



Staff costs

The introduction of the National Living Wage in Q2 2016 had its expected impact with 50% of businesses indicating they had higher staff costs compared to the previous year. This increased to as much as 55% for non-accommodation businesses.

With the effect of the National Living Wage fading, fewer businesses (45%) indicated they would have higher staff cost over the next twelve months compared to current staff costs.

In line with current cost trends, non-accommodation businesses felt their staff costs would increase the most over the next twelve months (51%).

Supplier costs

As in recent years, businesses saw an overall increase in their supplier costs. Albeit, higher than last year, there was a significant reduction in these costs compared to the long term average.

Looking ahead to the next 12 months, businesses expected supplier costs to continue increasing and at a faster rate of change than the rate incurred. However, these expected increases were below that of the LTA but above the past two years.

Administration costs

Although the majority of businesses indicated there was no change to administration costs, an overall increase was noted with 39% indicating higher costs for this aspect.

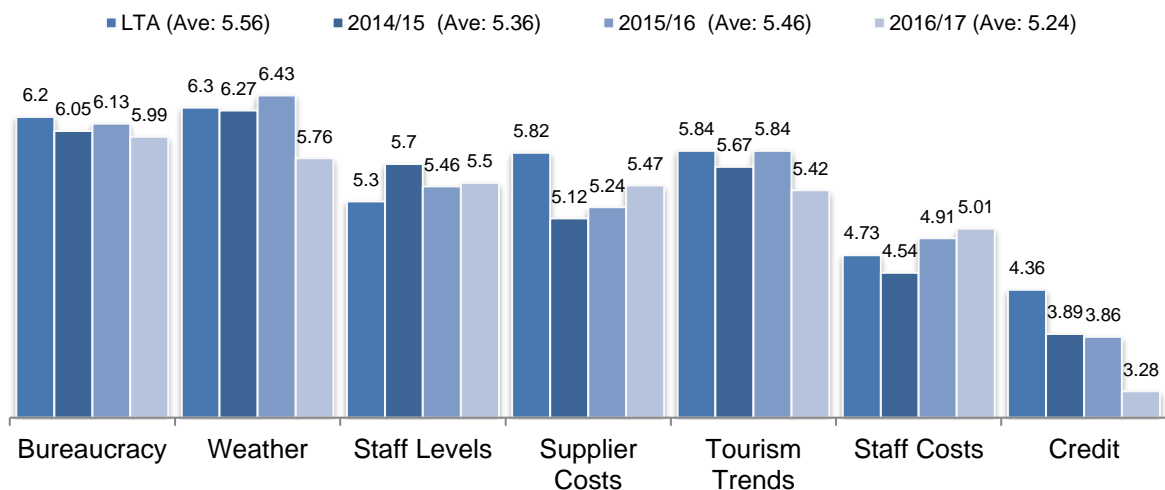
Albeit above last year’s level, there were was a less steep overall increase in administration costs observed compared to the LTA.

Non-accommodation businesses were more adversely affected by rising administration costs compared to the other sectors.

A faster rate of increase in administration costs was expected in the year ahead compared to the actual rate during the year.

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’.



Demonstrating a positive trend, the overall annual barrier to growth score decreased to 5.24 – a record low figure. Accommodation providers recorded a well below average annual barrier to growth score of 4.98.

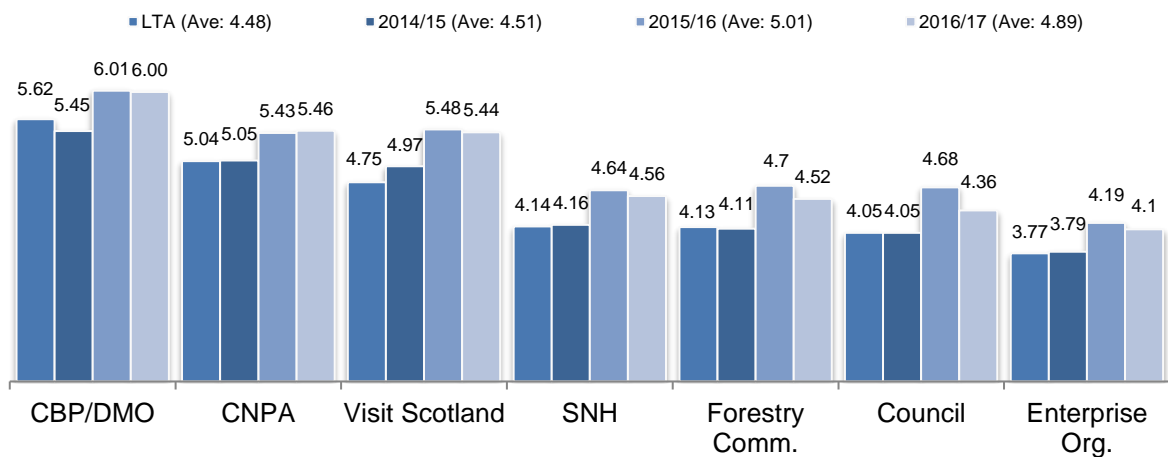
For the first time in six years, weather was not cited as the number one barrier to growth for businesses, but rather bureaucracy. Both of these barriers, however dropped below last years' scores.

All barriers except staff levels, supplier costs and staff costs were rated lower than the 2015/16 levels. For most of these categories the increases were only minimal, however, supplier costs as a barrier to growth increased significantly compared to last year (4.4%).

A decrease of 24% in 2016/17 compared to the LTA in the availability of credit highlights greater lending and funding opportunities for businesses in the area compared to previous years.

External Support

Businesses were asked to rate the contribution of organisation operating in the Park are using a 1 to 10 rating scale, where 1 was 'very poor contribution' and 10 was 'very good contribution'.



The trend from last year's positive record breaking contribution score did not continue in 2016/17 as the overall contribution score fell by 2% to 4.89 out of ten. That said, the score remained above that of two years ago and the LTA.

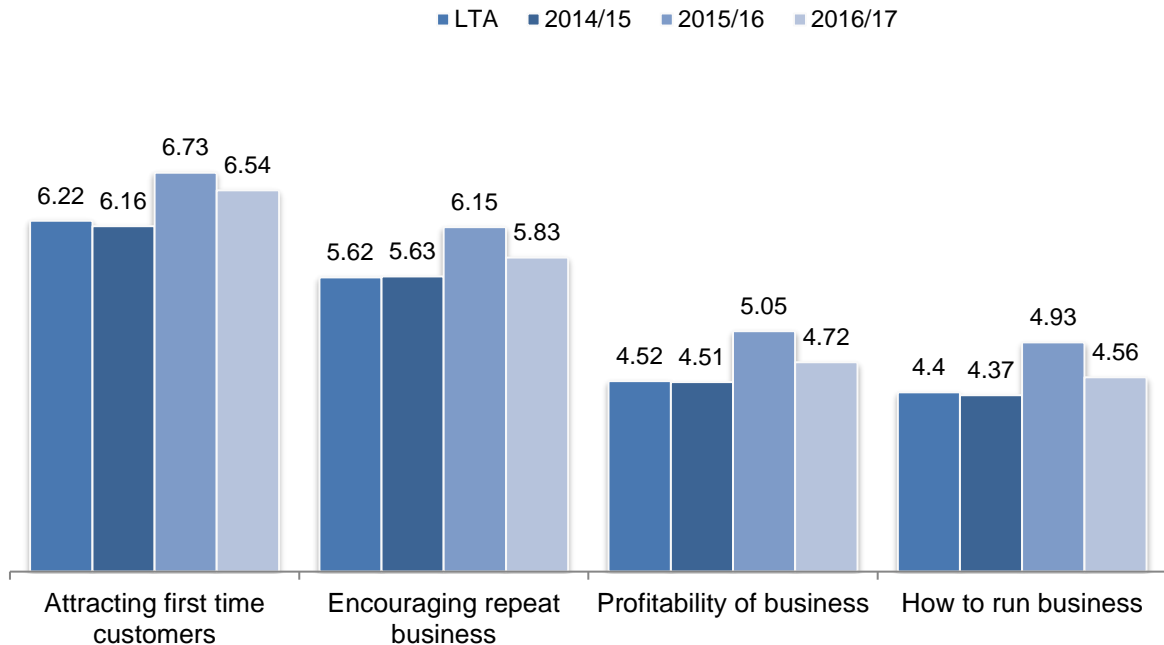
As in previous years, the level of support and contribution provided by the CBP / DMO was rated most positively of the seven organisations evaluated (6.00 out of 10). This score was on par with last year – a result which marked the highest ever level recorded for an organisation.

The only category to have a significant change in perception was the Council, which decreased roughly 7%.

As in recent years, the Enterprise Organisations were once again the least positively rated 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 the Cairngorms National Park in attracting first time and repeat customers and its perceived impact on business operations and profitability.



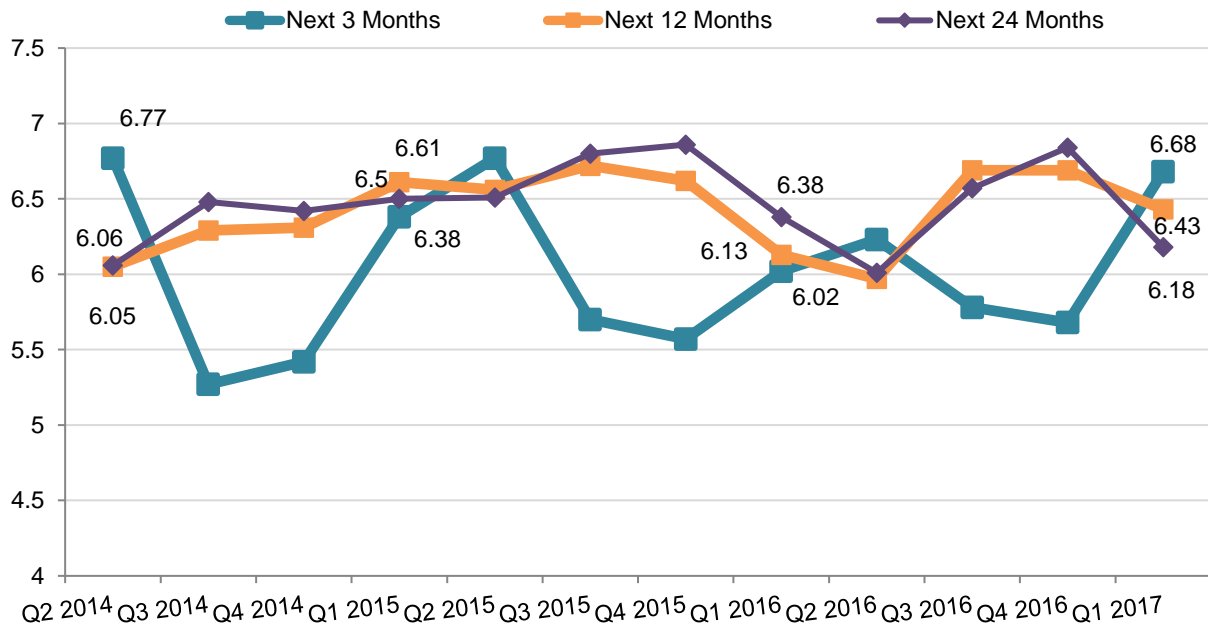
Nearly 6 out of 10 businesses feel that the National Park has a high influence rating the role of the Park at 7, 8, 9 or 10 out of 10 in terms of attracting first time customers to the area. This was slightly down from last year, but was above two years ago and the LTA.

Badenoch & Strathspey businesses and accommodation providers demonstrated the greatest appreciation for the role of the Park in attracting customers to the area.

Despite being higher than the LTA the influence of the Park on business operations and business profitability continued to be rated relatively low.

Business Confidence

Businesses we asked to rate their short-term (next three months), medium-term (next 12 months) and long-term (next 24 months) confidence using a 1 to 10 rating scale, where 1 was 'very low' and 10 was 'very high'.



Averages	Long Term Averages	2014/15	2015/16	2016/17
Next 3 Months	5.61	5.92	6.00	6.10
Next 12 Months	6.07	6.32	6.51	6.43
Next 24 Months	6.21	6.37	6.63	6.39

Breaking last year's score, short term business confidence in 2016/17 was rated at 6.1.

Confidence in the medium term – next 12 months – saw a small decrease from last year's results but remained above levels from two years ago and the LTA.

Long term confidence decreased from last year's record breaking score to similar levels from two years ago.

Businesses in the Badenoch and Strathspey area as well as accommodation providers attributed consistently higher confidence scores for the short, medium and long term periods.

CONCLUSIONS

The results of 2016/17 at first glance appear to be slightly muted compared to last year. Lower medium and long term business confidence assessments are indeed hard to ignore when comparing 2016/17 with 2015/16.

However, actual business performance and expectations of future performance during the period outperformed that of 2015/16. This is an interesting contradiction which suggests that external events during the period have had a debilitating impact on the overall business outlook. The Brexit result among other significant and well publicised international events, therefore, must be borne in mind in interpreting these findings.

Assessing the 2016/17 results in a broader context, the outlook for businesses is positive as business performance, investment and sentiment trends are generally healthier compared two years ago and the long term average since 2009.

Overall visitor profiles have remained largely the same in the Park area. Drilling down it is interesting to see a growth in North American visitors both in the Park area and across Scotland overall. There is an opportunity in the year ahead to capitalise further on this market with the continuation of a “weak” pound. The Cairngorms Business Partnership and partners must continue to collaborate locally and nationally to ensure that the Park is marketed most effectively to these high spending potential visitors.

As a whole, businesses reported that costs had generally increased. As predicted last year, the introduction of the National Living Wage had its intended effect with staff costs seeing a steeper rise compared to previous years. That said, administration costs and supplier costs were lower than average.

Both investments undertaken as well as intent to invest in the future in marketing, infrastructure and staff training were above the long term average. Staff training in particular seemed to have received more attention than in previous years.

The overall barrier to growth score decreased compared to last year and was well below both two years ago as well as the long term average indicating a more accessible business climate. This finding also aligns well with the trend of growing business levels recorded this year.

The Barometer has again highlighted variations in business optimism across the Park area. Businesses out with the Badenoch & Strathspey area as well as non-accommodation businesses continue to demonstrate weaker performance and are less optimistic about the future. Encouraging more collaboration and knowledge sharing among businesses across the full Park area will help to offset these regional and sectoral differences.

As discussed earlier, however, business confidence as a whole decreased from last year’s record breaking scores. As Brexit strategies and negotiations take shape it will be particularly interesting to monitor this metric in future Barometer surveys.